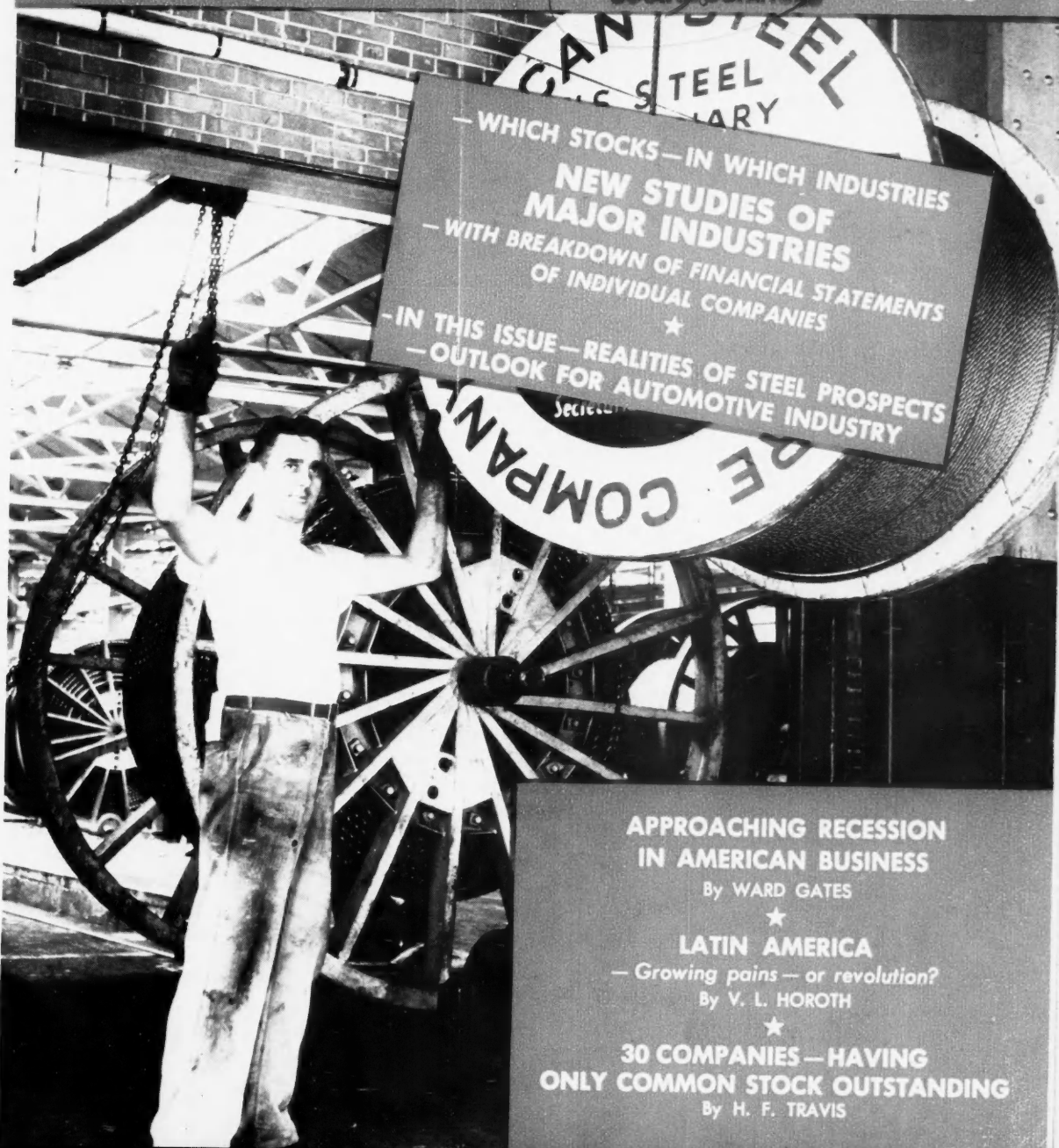


The MAGAZINE *of* WALL STREET

and BUSINESS ANALYST

MAY 31, 1952

SOCIAL SCIENCES 75 CENTS



— WHICH STOCKS — IN WHICH INDUSTRIES
**NEW STUDIES OF
MAJOR INDUSTRIES**
— WITH BREAKDOWN OF FINANCIAL STATEMENTS
OF INDIVIDUAL COMPANIES
★
— IN THIS ISSUE — REALITIES OF STEEL PROSPECTS
— OUTLOOK FOR AUTOMOTIVE INDUSTRY

APPROACHING RECESSION IN AMERICAN BUSINESS

By WARD GATES



LATIN AMERICA

— Growing pains — or revolution?

By V. L. HOROTH



30 COMPANIES — HAVING ONLY COMMON STOCK OUTSTANDING

By H. F. TRAVIS

Lieutenant
Stanley T. Adams
Medal of Honor



ONE BITING-COLD FEBRUARY NIGHT, Lieutenant Adams was on a bitterly contested hill near Sesim-ni, Korea. Out of the dark earth the silhouettes of some 150 Communist troops rose up against the skyline. Ordering fixed bay-



onets, the lieutenant, with only 13 men, leaped up and charged furiously against the overwhelming odds. He was knocked down by a bullet. At least three hand grenades actually bounced off his body before exploding nearby. But when Adams and his squad were through, there were only 50 Communists left on the hill—and they were dead.

"Nobody likes to kill," says Stanley

Adams. "Nobody likes war. But today the surest way to invite a war is to be weak. You and I know that twice in the last ten years Americans have let their guard down. And the Philippine and Korean graveyards are filled with men who paid the price for it.

"Please don't make that tragic mistake again. Remember that in the world today, *peace is only for the strong*. Help make your country and your armed services stronger still—by buying more . . . and more . . . and more U. S. Defense Bonds. Put *your bond-power* behind *our fire-power, now*—and together we'll keep America at peace!"

★ ★ ★

Remember that when you're buying bonds for national defense, you're also building a personal reserve of cash savings. Remember, too, that if you don't save *regularly*, you generally don't save at all. So sign up today in the Payroll Savings Plan where you work, or the Bond-A-Month Plan where you bank. For your country's security, and your own, buy U. S. Defense Bonds now!

Peace is for the strong...Buy U. S. Defense Bonds now!

The U. S. Government does not pay for this advertisement. It is donated by this publication in cooperation with the Advertising Council and the Magazine Publishers of America.



THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 90, No. 5

May 31, 1952

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Trend of Events	247
As I See It!	
By John Cordelli	249
Market to Continue Selective—Which Groups?	
By A. T. Miller	250
Approaching Recession in American Business?	
By Ward Gates	252
Latin America—Growing Pains—or Revolution?	
By V. L. Horoth	255
The New Money & Credit Policies	
By John C. Cresswill	258
Happening in Washington	
By E. K. T.	260
As We Go to Press	261
Earnings & Dividend Outlook for Automobile Companies	
By George L. Merton	263
Comparative Analysis of Two Great Can Companies	
By J. C. Clifford	266
30 Companies—Having only Common Stock Outstanding	
By H. F. Travis	269
The Realities of Steel Company Prospects	
By George W. Mathis	272
For Profit & Income	276
The Business Analyst	
By E. K. A.	278
Keeping Abreast	283
Answers to Inquiries	285

Cover photo by U. S. Steel

Copyright 1952, by the Ticker Publishing Co., Inc., 90 Broad St., New York 4, N. Y. C. G. Wyckoff, President and Treasurer; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 75 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—\$15.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, \$1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES—International News Co., Ltd., Brema Bldg., London, B. C. 4, England.

Cable Address—Tickerpab

ELECTRIC BOND AND SHARE COMPANY

TWO RECTOR ST., NEW YORK 6, N. Y.

Common Stock Dividend

The Board of Directors has declared a dividend, subject to the approval of the Securities and Exchange Commission, on the Common Stock, payable June 25, 1952, to stockholders of record at the close of business May 22, 1952. The dividend will be payable in shares of The Southern Company Common Stock at the rate of 4 shares for each 100 shares of Electric Bond and Share Company Common Stock. No scrip representing fractional shares of The Southern Company Common Stock will be issued to stockholders. The Company proposes to arrange for the Company's dividend agent to handle fractional share equivalents for the stockholders.

B. M. BETSCH,
Secretary and Treasurer

May 14, 1952.

PACIFIC GAS AND ELECTRIC CO.

DIVIDEND NOTICE

Common Stock Dividend No. 146

The Board of Directors on May 14, 1952, declared a cash dividend for the second quarter of the year of 50 cents per share upon the Company's common capital stock. This dividend will be paid by check on July 10, 1952, to common stockholders of record at the close of business on June 10, 1952. The Transfer Books will not be closed.

K. C. CHRISTENSEN, Treasurer
San Francisco, California



Johns-Manville Corporation DIVIDEND

The Board of Directors declared a dividend of 75c per share on the Common Stock payable June 12, 1952, to holders of record June 2, 1952.

ROGER HACKNEY, Treasurer



A
ti
w
P
f
S

du
th
of
th
ag
pr
m
w
tr
w

hi
cla
a
he
wh
bi
plo

tr
ica
he
die
pa
to
tic
To
tia
cer

B

M A

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, Editor-Publisher



The Trend of Events

AN END OF IMPARTIALITY . . . Observers of the political scene have become largely shockproof, but there was still a profound shock in the appearance of Vice-President Barkley and Secretary of Labor Tobin before the recent convention of the C. I. O. United Steelworkers of America.

With President Truman's seizure of the steel industry still being adjudicated by the Supreme Court, the vice-president and the cabinet member went out of their way to tell one party to this grave dispute that they were "heart and soul" with the union and against management. Mr. Barkley, sweeping aside previous stipulations by both Congress and the Administration that Wage Stabilization Board findings were not to be mandatory, excoriated the steel industry for defying, as he put it, the board's verdict. It was as bad, he said, as defying the verdict of a jury.

Secretary Tobin confessed it had been urged upon him that his position demanded impartiality, but declared that when the WSB spoke and industry turned a deaf ear, the time for impartiality had passed. How he managed so well to conceal his righteous wrath when the whole C. I. O. walked out on the entire stabilization program in February, 1951, was not explored.

Obviously, the steel industry is doing what every American has the right to do when he feels aggrieved by the verdict even of a properly empaneled jury. It is appealing to a court of higher jurisdiction. Obviously, too, Secretary Tobin has never been impartial, in any issue which concerned a major union.

There is a danger, however, that an area of real impartiality will be destroyed by the mountebankery for which Barkley and Tobin take their cues from Truman. The electorate at large, over the last generation or more, has resolved many questions of law and procedure in favor of enlarging the prerogatives of unions. That benign impartiality can be quickly shattered by the evident determination of the Administration to give the unions whatever they ask at whatever peril to a strained economy. The unions, right now, have more to fear from their partisan friends than from their avowed foes. Unions are still a minority in this country, and they are going the right way to arouse against themselves a determined majority.

PRICE OF WRONG FISCAL POLICY . . . At the recent panel of the American Assembly, a super-research organization established by General Eisenhower, as President of Columbia University, the causes of the long-term inflationary pressures in the United States were given a thorough going-over. One of the most striking explanations of the origins of inflation

in this country, it seems to us, was offered by Lewis W. Douglas, former Ambassador to Great Britain and Director of the Budget in the early Roosevelt administration. He bluntly stated that Federal mismanagement of fiscal policies and extravagance in public spending were the fundamental causes of the inflationary spiral.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: 1907 — "Over Forty-four Years of Service" — 1952

One should soberly regard his statement that it is "a historic fact that extravagance in the use of public funds is the deep-rooted cause of permanent deterioration in the value of money." We know that the American public has been warned constantly in recent times of the dangers of inflation by those in and out of the government. To date, however, we have seen few signs that the government takes its own warnings seriously. Yet, time is running short. Every indication points to the growing danger of a budget chronically out of balance. For practically twenty years, this nation has been paying the price of capricious fiscal management. We cannot go on much longer trusting our future to reckless and wasteful financial policy.

The time for decision will soon be at hand. The nation must face the grim reality that continuation of present policies inevitably leads to bankruptcy. In plain language, to restore some degree of economic health and to rid ourselves of the inflationary fever which has been afflicting in varying degree for two decades, we must finally balance the budget, regardless of any considerations whether they involve national defense or not. There are other ways of losing a war than on the battlefield.

CITIZEN EISENHOWER . . . Next week a distinguished American will return from the foreign fields of his fame to ask the highest office in the gift of his fellow-Americans. General of the Army Dwight D. Eisenhower will relinquish his command of Supreme Headquarters of the Allied Powers in Europe, and Citizen Ike from Abilene will present himself and his program as a candidate for the Republican nomination for President of the United States.

This transformation is timely, if not overdue. There is no substitute in a republic for plain statements of a candidate's principles and aspirations. This is not to say that General Eisenhower must now say what he would have done or would have liked to see done in every incident on the national stage from the 1932 bank holiday to the redecoration of the White House living quarters. He should, however, stand ready to express himself on the issues before the nation.

General Eisenhower should seize the first opportunity to inform the voters of his plans for cementing the Atlantic community, for concluding the Korean war with honor, for reversing the trend toward socializing the government, for returning industrial bargaining to labor and management, first neutralizing the labor monopolies set up by the New Deal and Fair Deal, for substituting the verdict of the market place for costly and cumbersome controls, for restoring the value of the dollar.

If the general cannot do less, the voter cannot demand less. There could be nothing more fraught with danger than for the electorate to abandon its duty to weigh the program of a candidate, and to vote for even the best-fitted man in the world simply on a basis of giving him a blank check to run the country.

HALF BILLION DOLLAR OFFERING . . . The forthcoming \$500 million convertible bond issue of the American Telephone & Telegraph Company, after a flotation last year of \$450 million, is not only the largest single piece of private financing in the history of this country but represents the greatest single program

for expansion and improvement ever undertaken by any corporation. Judged by the success of last year's issue, the big company will have no difficulty with the new one and, in fact, made sure of success by raising the interest rate from 3 $\frac{3}{8}$ % to 3 $\frac{1}{2}$ %.

It is significant that the company has chosen this particular time for this important undertaking. No doubt it believes that long-range investment programs of this type may be safely embarked on, regardless of fluctuations in the business curves in the next year or two. The officials are mindful of the steady rise in the population curve and with it an equally persistent increase in the public demand for its services. No doubt, A.T.&T. is in a rather special position since demand for communications is fundamental and must rise with the rise in population in a country like ours where the standard of living is high and rising on a long-term basis. Nevertheless the action of A.T.&T. should be taken for what it is, an index of confidence in the future of this country.

THE PRICE OF PAPER . . . No publication is ever happy with the price of paper going higher and higher, and the Magazine of Wall Street will not pretend to be overjoyed at the Canadian newsprint makers' decision to raise the price another \$10 a ton. All too often newsprint provides a springboard for a rise in the higher-priced magazine paper.

However, we must admit that in the debate between Ottawa and Washington on the increase, the honors appear to be with the Canadians. Rep. Emanuel Celler and Price Administrator Ellis Arnall demanded that the raise be rescinded. Clarence Howe, Canadian Minister of Defense Production, promptly replied that the reversal of currency values between the United States and American dollars—Canadian newsprint price are quoted in U. S. currency—plus increases in U. S. freight rates, had reduced the makers price of newsprint \$10 a ton since the current \$116 price was instituted.

Mr. Howe was too much of a gentleman to point out that Messrs. Celler and Arnall, throughout their political careers, have been strongly identified with the policies which have whittled the United States dollar from 105 Canadian cents to 98 Canadian cents—and probably aren't through whittling yet!

CUE FOR A PROPHET . . . Turning from the rising excitement of the political wars to such a dispassionate view of the nation's actual situation as the article that begins on Page 252, one wonders just why anyone should insist on becoming President of these United States for the four years beginning next January 20. The war in Korea will still be dragging on; tension in Europe will hardly have fallen. The plight of the Treasury will be even more deplorable than it is today; the clamor for tax relief will certainly be louder.

Industrial expansion and defense spending, remaining props of the postwar boom, will be declining or at most standing still. Farm costs are overtaking past farm income gains; there will be cries for help from the rural areas. Advancing recession will make for more unemployment, at the same time it forecloses the easy vote-getting technique of gang-ing up with the unions (Please turn to page 292)

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: :1907 — "Over Forty-four Years of Service" — 1952

As I See It!

By JOHN CORDELLI

TRADE RECESSION ADDS TO TORY WORRIES

Visitors from Great Britain with whom we have had a chance to talk lately are deeply disturbed by the defeats suffered by the Conservatives at recent county council elections. They have been telling us that if a general election were held today, the verdict of last October would be reversed in favor of the Labor Party. The socialists already threaten to "restore every word and comma" of laws that the Tories may repeal. This does not make for permanency or for confidence among business people.

The Churchill Government is having much harder sledding than anticipated. The tightening of the belt ordered by the new Chancellor of the Exchequer, Mr. Butler, seems to have had little effect on imports thus far. At the same time, exports are falling off, partly because of import cuts imposed by the Commonwealth countries and France, and partly because of a world-wide recession in textiles and allied trades. There are nearly 100,000 unemployed and many more are working part time in Lancashire, Britain's famous textile center, the slow withering of which has apparently resumed after a few years of hope. If the drain on gold and dollar resources has been stemmed, it must have been due to the several hundred million dollars made available through American grants rather than to a genuine improvement in international payments.

Meanwhile another threat to Mr. Butler's plans for keeping internal inflation in check has appeared in the form of wage claims of six to seven million of Britain's 23 million workers. Railwaymen, shipbuilders, dockers, miners, engineering unions, and even agricultural workers have combined to ask for wage increases which are larger than previously anticipated. If granted, these wage concessions would pour more purchasing power into the market than was added last year. And there will be fewer goods

available. About the only encouraging news that one hears is that this year's crops will be excellent and that the coal bottleneck is solving itself.

Some of the stalwarts of the Labor Party are already painting a picture of unlimited welfare in the future when they are back in power, but we believe that they may be counting their chickens too

soon. Unquestionably some independent voters among Mr. Churchill's supporters are disappointed with the new Government which thus far has brought only more austerity, less food, higher fares. But all this does not mean that the Churchill's Government, even if it holds a slender majority in the Parliament, will fall tomorrow, though if the economic situation does not improve, the Labor Party may seek new elections in the Spring of 1953. But British Laborites are badly split and the problems of the day are widening rather than narrowing the gap.

The Bevanites — the radical group which believes that the Russian military menace

is exaggerated and that rearmament is not too urgent — are getting increasingly more bitter about the official Labor Party policies. If the two wings of the Labor Party separate officially, it is quite possible that the more conservative Attlee wing will support the present Government in preference to the Bevanites' wild ideas.

Some disappointment with the new Conservative Government has been inevitable. But we venture to say that a great deal of this disappointment is due not so much to what has been done, but rather to the fact that many things promised by the new Government have been left undone. Perhaps the Churchill Government believed it wise—in view of its slender majority—to continue Mr. Attlee's policies with but a few changes.

The Conservative Gov. (Please turn to page 292)

"STILL MORE PRESSURE"



Loring in The Evening Bulletin

Market Continuing Selective—Which Groups?

Having shown adequate support on all 1952 reactions to date, the averages worked higher over the last fortnight in a mixed market. The general performance of the industrial section remains indecisive. Barring news shocks, there is a chance for some medium-term extension of recent improvement. It does not justify departure from our selective, middle-road investment policy.

By A. T. MILLER

A stock market which will not go down importantly on repeated reactions, when the general environment is more or less disturbing to anyone's naked eye, has a better than even chance for some interim rise, at least of trading-range proportions for the averages, regardless of restraining considerations in the longer-term economic-political outlook. By "interim" we are thinking of possibilities within the medium-term period between now and late summer. By "longer-term" we are thinking of the uncertainties of late-1952, of the election and of 1953.

Throughout about five months of 1952 the Dow industrial average and other composite measures of stock prices have held in a quite moderate range

of fluctuation, with no sell-off even approaching 10%. The performance has reflected adequate support, especially for better-grade stocks, despite reduced corporate earnings, scattered instances of dividend cuts or omissions, the flattening-out of the scheduled arms program, the President's shocking seizure of the steel industry, and depressed or semi-depressed conditions in a number of lines of civilian business.

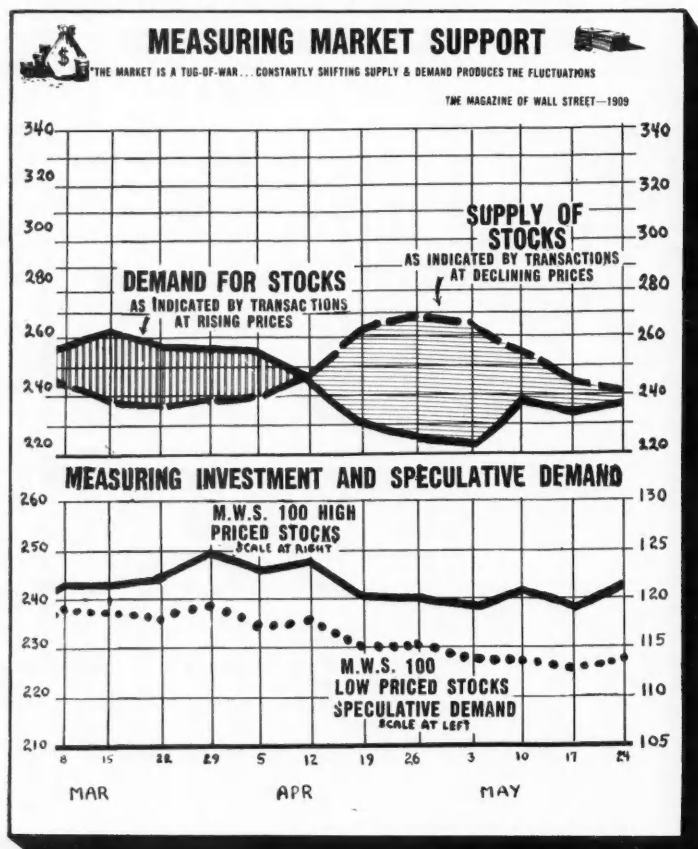
In the week ended May 17, with the averages drifting slightly down from their previous best May rally levels, trading volume dwindled to the lowest level in many months. This was followed by a week of moderate improvement in average stock prices and in share turnover, sufficing to put the past fortnight on a plus basis for the industrial, rail and utility averages.

Rails Sharply Stimulated

Stimulated by announcement of a boost in Southern Pacific's quarterly dividend from \$1.25 to \$1.50, and by the management's proposal to split this stock two-for-one, the rail section had a relatively sharp spurt near the end of last week, putting the average to a new major high about 2 points above the previous high recorded at the end of March. The utility average rose to within a fraction of its post-1946 high, which was attained last March 22.

The over-all performance of the industrial list, which has a decisive effect on market sentiment, remains indecisive. The Dow industrial average made its last major high last September, almost duplicated it in October, and again almost duplicated it on the intermediate swing which culminated in January. As a result the 275-276 supply level, represented by those three highs, has become a technically formidable one. Meanwhile, three downswings in the average, within a range of roughly 20 points or around 7% from high to low, took it to lows of 255.95 last November, 258.49 in February, and 258.86 on April 24. The support levels represented by those lows is important; and from a medium-term perspective it appears to be a technically strong one.

This average rose enough last week to



extend its recovery from the April low, but it currently stands more than 12 points under the key supply levels heretofore cited; and, therefore, in the monotonously familiar "range of hesitation" maintained for eight months. Its chart pattern since early 1951 or for roughly 16 months—and that of more inclusive indexes of industrial stock prices—is suggestive, as we have noted before, of a broad, rounding top area. That would not assuredly be changed if the average should moderately better its previous top point—no more than a conjectural possibility on the indications at this writing—for it did exactly that last September in what turned out to be only an intermediate phase (even though it technically extended the bull market) rather than a broad and sustained forward movement.

The basis for current market improvement is not open to much debate. Prevailing investment-speculative sentiment, which has long been alternating between fairly moderate hopes and apprehensions, is again inclined to emphasize the favorable side at least of the medium-term picture. The reasons for the change in mood are (1) the degree of support demonstrated under tests, as cited at the start of this discussion; (2) evidence of a turn for the better in some of the previously depressed or retarded segments of the civilian economy, most notably in the textile and shoe trades and in residential building; (3) the fact that the chief arguments for an important general market decline within the first half of this year have become stale through familiarity and have proven ineffective to date; and (4) the usual seasonally-founded hopes for more or less improvement in stock prices within the summer season.

Several Major Questions Demand Answers

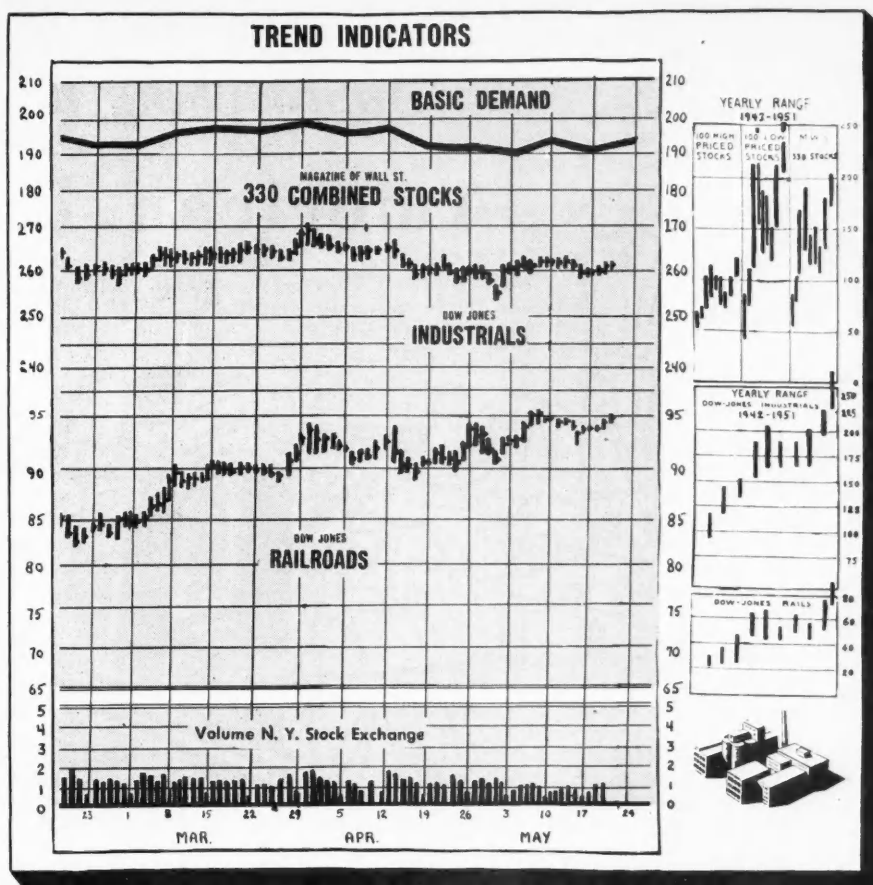
How long this mood might last is, of course, highly conjectural. The further we go into 1952, the more insistent must become such questions as the economic-financial implications of a conservative political shift, if we get it, in the November election; the approaching decline in capital goods activity; and the waning over-all stimulus of the arms program within a matter of months. In its effect on the materials supply-demand situation, this program probably has already had maximum effect, or virtually so, even though peak defense spending is still ahead. It does not take any great rise in stock prices, as we have repeatedly seen on the swings of the last 16 months, to focus investment attention again on

these restraining considerations; and on the sobering fact that the downward tendency in corporate earnings and dividends is not subject to cyclical reversal for a quite indefinite time to come. Allowance must also continue to be made for disturbing foreign developments.

It need hardly be emphasized that it is, and is likely to remain, a selective market, filled with cross-currents and mainly investment-dominated. The extreme "cat and dog" industrials, whose general performance at times differs appreciably from that of our weekly index of 100 low-priced stocks, have for months been losing ground relative to the industrial average; and up to this writing there is no evidence of reviving speculation therein. Despite exceptions here and there, one strong general tendency in the market is an aversion to, or a lukewarm attitude on, stocks of capital-goods makers and/or stocks with a strong "war-baby" flavor, other than rails. You see that, for instance, in the indifferent behavior of such groups as steels, rail equipments, auto trucks, sugar stocks, machinery and aircraft.

Since success tends to feed on success in the market, rails may well go somewhat higher. They have a "honeymoon period" of relatively good earnings, thanks to higher freight rates, before the benefit is offset by higher labor costs or traffic shrinkage. There has been recent increased buying of better-grade rails by mutual-fund and other investment trusts. On the other hand, the group is not popular with conservative managers of pension funds and other trust funds.

Among stocks which (Please turn to page 292)





... Approaching Recession in ... American Business?

By WARD GATES

Business in the United States today is in a state of transition from the boom created by the inauguration of the Korean conflict. It is now, in effect, subject to a steady leveling-off process that is cancelling out the business gains in the year following June 1951.

The general aspect of business is one of great unevenness. Some sections of the economy are still expanding, others are contracting. Some are at the peak of activity and just about to turn downwards. Others have not been able to extricate themselves from what amounts to depression.

In addition to this mixture of tendencies at home, often contradictory, some foreign countries have been showing signs of economic distress. This is mainly a result of a widespread decline in world primary markets and a glutting of markets with unsalable goods. The international textile industry is a striking example.

Basically the decline in world prices, amounting in some important products like rubber, tin and wool to over 45%—which in turn has been affecting our own industries—has been due to the failure of rearmament to lead to a greater consumption of materials. Evidently there was a serious miscalculation on the part of all hands, who had not correctly estimated the dimensions of the increase of world productive capacity, and had failed to see that consumption could not keep pace with these additions to production.

Nevertheless, rearmament has played a large part in the increase in world trade directly after Korea and remains one of the basic elements in the future of world business. No better illustration could be had than the effects of the U. S. withdrawal from the primary markets when it had about completed its stock-piling program. When this occurred, the primary markets practically fell apart. It is obvious

that foreign economies as well as our own are now mainly dependent on the scope of continued arms spending in this country. For that reason, the outcome of the Korean truce negotiations as well as the near-term international climate will have a direct bearing on business conditions.

In the meantime, with world production having expanded some 60% since 1945, the problem has become one of finding markets sufficiently large to absorb this added production. Thus far, difficulties have increased. One of the disconcerting features of the situation abroad is that many foreign countries and dependencies are having trouble with payments. In the past, this has been the herald of an economic reaction.

Contraction in Consumer Markets

On the domestic side, some contraction in the absorptive power of consumer markets has been in evidence for about a year. This is indicated in many ways, the most significant of which has been the persistent rise of public savings, now at an annual rate of 10% of income (after taxes), or about \$17 billion. Funds of such dimensions, withdrawn from consumption, inevitably have the effect of bringing about a decline in manufacturing operations, as the need to reduce inventories becomes paramount.

At the present time, little progress has been made on the manufacturing level, total inventories remaining at close to \$70 billion, the highest on record. On the other hand, there has been some progress in the reduction of inventories in retail and wholesale channels. Retail stocks have been reduced from a 1951 high of \$20.6 billion to \$17.8 billion, and wholesale inventories from \$10.3 billion to \$9.7 billion. Such reductions have been accomplished by lowering prices, although these price cuts thus far have proved only moderately successful in moving stocks from stores to consumers. The real story is told in the sustained high volume of savings which seems to

indicate that the public as yet is well-supplied with consumers' goods, both hard and soft. What is of greater importance, there is no longer any fear of a shortage of supplies. The consumer is quite aware of the enormous increase in productive capacity in this country, now well over 50% as compared with the end of World War II.

Breaking down actual public spending, we find that about 5% more money is going into food and housing, with a corresponding decline in expenditures for such items as automobiles and parts, household equipment, and furniture. Expenditures for clothing, shoes and many non-essentials have dropped far below this figure.

Rising Supplies a Factor

As a result of the failure of the public to increase purchases beyond recent levels, despite sustained high employment (approximately 60 millions persons), the general price level has sagged. The following figures tell the story of the change in the past year: The commodity price level is 3% lower. Individual changes are as follows: textiles, 12% lower, hides and skins 21%, chemicals 5%, rubber 7%, lumber 5% and paper products 2%.

Machinery products are up 3% and metals have commenced to soften recently, particularly lead. Tin, of course, has been weak for months. Generally speaking, the decline in prices of raw materials reflects clearly the rising adequacy of supplies in relation to demand. Prices of fabricated products have not as yet reacted fully to this situation but a better correspondence between these prices and those in the primary markets is bound to come. Therefore, it is significant that individual cuts in such products as refrigerators, TV sets, furniture and clothing have been in progress for some time and that this trend has become more marked in recent weeks.

So far as over-all consumer buying is concerned, it is pertinent to observe that the strong surge in

consumer demand which took place between June, 1950, and May, 1951, has undergone a striking change. Pressure for goods has ceased, buying reverting to normal. Total demand for goods has lost practically all of its momentum since Korea, business outlays having leveled off, against a 31% increase in the early part of the conflict. New business investment, outside of plant expenditures, and mainly for replenishment of inventories, is now about 10% below the first quarter of 1951.

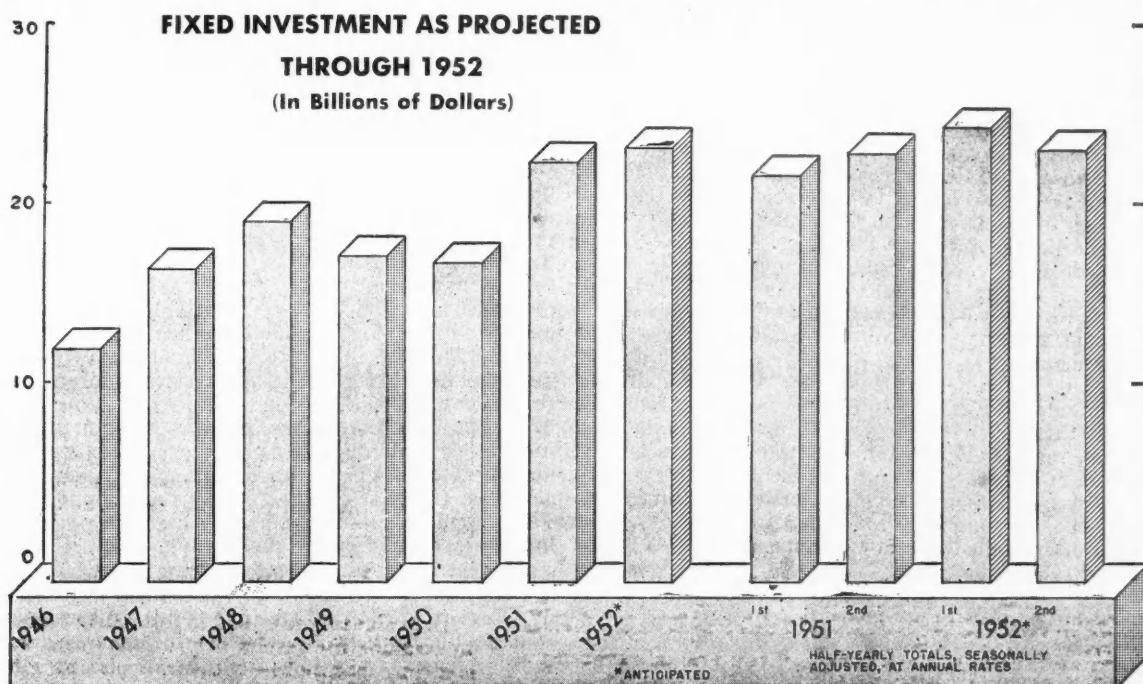
Along with the improvement in supplies of formerly scarce materials, such as metals, for example, including steel, supplies had been made available through expansion in basic capacity and higher imports. As a result of this increased availability, industries hitherto restricted by lack of sufficient materials now may proceed with higher production of their normal products. Among these are passenger cars, trucks, agricultural equipment, railroad equipment and construction for residential and commercial purposes.

At the same time, new difficulties created by over-capacity and over-supply are commencing to be reflected in lower prices for the products of basic industries, with indications that a definite trend has been established.

Rise in Capital Investment

In steel, which is still in the midst of a large building program, indications are present that supplies have become more abundant, and with this situation developing, it is probable that in the not too distant future prices of some steel products will taper off. With the higher wage level now in prospect, this combination of circumstances raises some doubts about continued high profit operations much beyond the summer of 1953.

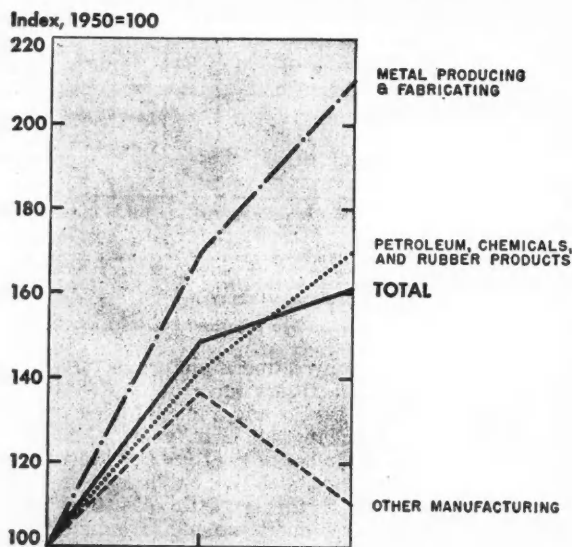
U. S. fixed capital investment, which increased \$124 billion in the seven years of the post-war period, is now about 50% higher than at the end



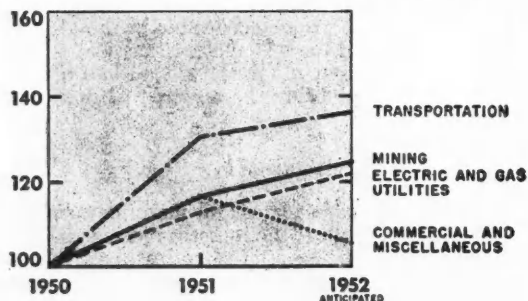
of the war. In some areas, as in chemicals, electrical and non-electrical machinery, capacity has doubled as compared with 1945. Petroleum capacity has increased about 50%. Generating facilities for the public utilities have increased about 70%. Certain industries, such as synthetic resins and plastics, have tripled, and an even higher rate of expansion is noted in drugs such as penicillin and its fellow antibiotics.

Despite indications of over-capacity, an increase in investment outlays has been projected for the whole of 1952, mostly due to government needs. There will be about \$24 billion of new capital outlays this year, 4% above last year. This is true of all major industry, only commercial and miscellaneous enterprises foreseeing a decline in projected expenditures. However, the second half will witness some contraction, probably amounting to the annual rate of \$1 billion. Very likely, this represents the commencement of a tapering-off of new plant outlays. The change in outlays between the first and second halves of 1952 is illustrated in the accompanying charts. While most projects for expansion will be completed, it is indicated that some corporations will postpone or cancel their plans, due either to high taxes or a fear of growing over-capacity in their industries.

CAPITAL OUTLAYS
Projected for Manufacturing through 1952



Projected for Non-Manufacturing through 1952



For purely manufacturing enterprises, schedules indicate expenditures for the whole of 1952 of \$12.1 billion against \$11.1 billion in 1951. However, planned investments for the second half indicate a drop of between 10% and 15%.

Capital increases are greatest among the defense-related manufacturing industries. Principal among these are chemicals, petroleum, rubber and the metal industries. Further increases in capacity are planned by the non-ferrous metal companies and the electrical manufacturing companies plan to spend at about the same rate as in the first half. However, substantial declines are expected for some industries such as iron and steel, non-electrical machinery and transportation equipment. These estimates relate only to private industry and do not include government sponsored industrial projects. For example, the aircraft industry is going ahead with a substantial program of new plant expansion as a result of government demands.

Leveling-off In Sales

Principal declines in new plant and equipment are in the non-durable goods industries. Some substantial declines are forecast for new building in such industries as food and allied industries, beverages, textiles and paper.

New capital outlays are linked up with sales expectations. Generally speaking, except for direct government orders, sales have been rounding off and are no longer increasing in volume. Owing to continued high sales in basic industries in early 1952, total results for the full year will be satisfactory, though actual volume in the second half will decline. Estimates are that the over-all increase in sales in 1952, as compared with 1951, will be 5% against an 8% increase in capital outlays.

Basic to continued high activity in industry is the government program of defense expenditures, actual and projected. The actual rate of such expenditures is now at slightly under \$4 billion monthly, having increased steadily though at a slow pace from last year. It is expected to reach a rate of just under \$5 billion monthly by the end of the year. This will tend to hold general manufacturing operations at a fairly high level, especially in the defense-related industries. With a new Administration coming into power, however, it is possible that defense appropriation including those for foreign aid, will be cut so that the longer range prospect, into 1953, is for some reduction in the total volume of business, inasmuch as the general economy is heavily dependent on armaments expenditures. This prospect is borne out by the visible decline in the rate of applications granted for accelerated amortization. This is a logical consequence of the now nearly completed government program for military production purposes.

It is possible that the slump in the consumer goods industries which has been in progress for some months may spread into the capital-goods sector, although the real effects will not be felt until 1953. The enormous build-up of plant and equipment has finally reached a point where over-production has commenced to appear in many lines. That this threat is fully appreciated by the government is indicated by its recent efforts to relax credit restrictions as well as to increase allocations of the more scarce supplies.

Whether these efforts (Please turn to page 284)



LATIN AMERICA

— Growing Pains — or Revolution ?

By V. L. HOROTH

The danger signals in the countries below the Rio Grande are becoming more numerous. The time has come for us to pay more attention to the happenings in Latin America. We have been altogether too much engrossed in the Korean affair and in keeping in check the communist tide along the long periphery of the Soviet orbit.

Speaking before the Women's National Republican Club in New York last month, Mr. Nelson E. Rockefeller charged that the Truman Administration has "ignored and neglected fundamental international ties and imprudently taken the solidarity and cooperation of the Americas for granted". Mr. Rockefeller ought to know what he is talking about. He is the former Assistant Secretary of State for Inter-American Affairs and thoroughly familiar with the Latin American set-up.

While the situation differs widely from one Latin American Republic to another, it seems that the spreading economic difficulties are spurring the growth of nationalism and radicalism. In several of the Republics, internal political upheavals have taken place which in one way or another could pave the way for the accession to power of communists. What's more, there has been a marked increase in resentment against our economic policies.

Based partly on misunderstanding of our aims, this resentment is naturally being fanned by communists and ultrachauvinists of the Peron type. As will be seen, the economic difficulties and social unrest are, generally speaking, due to (1) unrelieved inflationary pressure, (2) the recent drop in commodity prices, and (3) the pains and stresses that are accompanying the transition in most Latin

American countries from a semi-colonial economy to a more balanced and mature economy in which industry and the internal market are given more important roles.

Wartime inflation hit most of the Latin American countries harder than it did the United States. High prices swelled purchasing power, while the usual flow of imports was interrupted. Counter-inflationary measures proved of little use, largely because controls were difficult to enforce. Prices advanced higher than in the United States, and most Latin American currencies were overvalued.

War Hoards Spent on Perishable Goods

During the first three post-war years, Latin America managed fairly well. But by 1948, most of the countries had spent their wartime-accumulated nest-eggs—unfortunately for consumer goods rather than capital goods. By 1948, commodity prices had begun to weaken and the world was no longer willing to pay any price for Latin American commodities.

A more realistic view of the changes had to be taken. Imports had to be cut, but, since inflationary pressure continued unabated, internal pressure increased. Five political upheavals took place in 1948 alone—in *Costa Rica*, *Paraguay*, *Peru*, *Venezuela*, and *El Salvador*—as will be seen from the accompanying map. In *Colombia*, rising prices and communist propaganda led to bloody rioting, with property damage running into hundreds of millions of dollars. In *Peru*, the political revolution was followed by a drastic revaluation of the currency; the elaborate system of price controls was abolished and un-

realistic social legislation modified.

The outbreak of the Korean war postponed the day of economic reckoning in most of Latin American countries. The demand for their products was restored and a sharp rise in prices is estimated to have added some \$2 billion to the value of their exports during the year ending June 30, 1951. Gold and dollar reserves were replenished, and Latin America once more indulged in an importation spree, the imports from the United States alone aggregating some \$3¾ billion in 1951.

In many Latin American countries, wages are tied to the cost of living. Thus it happened that the post-Korean price bulge forced up materially prices and wages. That is the situation today. Export commodity prices—coffee and copper excepted—are back below the pre-Korean level. Export products are more difficult to sell, the sellers' market having changed into the buyers' market. But the costs and wages are higher than before. The old problems are back with a vengeance. Many Latin American countries must now go not only through the postwar readjustment from which the Korean war spared them, but through the post-Korean price readjustments as well.

Some Countries Fairly Well Industrialized

But this is by no means all. Irked by the hardships of the depression and of trade interruptions during the war, individual Latin American countries, namely Brazil, Argentina, and Mexico, have progressed quite far along the road toward "economic independence". In Argentina and Brazil, more people are now employed in industries and commerce than in agriculture. This changeover has not only created new vested interests but has also produced a shift in the balance of power. In Argentina, Peron's revolution ended the long regime of great landowners and put the balance of power into the hands of unionized workers. In Brazil, the Vargas regime leans more and more on organized labor for support. Even in less industrialized countries, such as Guatemala, the power is now in the hands of labor unions in which fellow travelers and the communists are as often as not the power behind the throne. The latest revolution in Bolivia also replaced the military "jun-

ta" with a government backed by labor unions.

There is no doubt that industrialization has broadened and strengthened individual Latin American Republics. There is no better example than Mexico, where the working class is generally more prosperous and better housed than before. Mexico's "real" national income is estimated to have doubled since prewar. But in some countries, industrialization has gone too far, at least for the time being. In Argentina, the former farm lands are now working in urban industries, earning wages four, five times higher than before. But the country's exportable surpluses of wheat, corn, and meat have either disappeared or shrunk materially. In Brazil, the exodus of farm labor to cities has kept down domestic food production, thereby contributing to the high cost of living. Production of such export commodities as cotton has been kept high only by guaranteeing the producers a minimum price which is far above the current price level. Brazil's new cotton crop will be unsalable, unless the Brazilian Government takes it over and disposes of it in the world market at a loss that it can ill afford.

Sooner or later, countries like Argentina and Brazil will have to bring down the prices of their export commodities to the international price level. If these countries are to maintain their present rate of imports, then, in order to offset the loss of their purchasing power as a consequence of price decline, they will have to either (1) borrow, as Brazil did a few months ago, from the I.M.F., or (2) increase the volume of their exports. For the time being, Argentina is falling back on the accumulated stocks of hides and wool. But some increase in their production for export is essential before long. If it is impossible to increase the productivity of the farms, plantations, and mines by means of machinery, then some industrial labor will have to return to farms and mines.

Blame for Readjustments Placed on U. S.

The three-fold adjustment that many Latin American countries are facing will not be easy. It will not be easy because the labor-backed governments in Argentina, Brazil, Chile, Guatemala, Bolivia and elsewhere will be reluctant to make any adjustments for fear of unemployment which is bound to occur when the purchasing power of rural areas is affected by lower prices. Some countries will undoubtedly devalue their currencies. As in this country, the labor unions in individual Latin American countries, more anxious to protect their vested interests than are the industrialists themselves, may be expected to urge increased tariff protection and "economic nationalism" in general.

Also, it is already obvious that, thanks to communist or Peronist influence in labor unions, the United States rather than the changing international trade outlook will be blamed for the difficulties of individual Latin American countries. Nor are we altogether blameless. The U. S. Government's bidding during the scramble for commodities following the outbreak of the Korean war made the price bulge with the subsequent rise and costs and wages much higher than it should have been.

Bolivia is perhaps the best example of a miscalculation in our policies, not only ruining our own position in Latin America, but causing irreparable

Free World's Trade with Latin America

(In millions of dollars)

Exporting or Importing Countries	Exports to Latin America			Imports from Latin America		
	1949	1950	1951	1949	1950	1951
United States	2,712	2,624	3,608	2,301	2,907	3,346
Canada	123	132	198	187	197	260
Great Britain	499	431	457	655	720	934
West Germany	32	153	370	150	185	332
France	174	201	279	190	247	337
Belgium	139	112	173	144	141	155
Netherlands	36	54	91	135	131	153
Italy	189	132	130	158	159	187
Switzerland	98	97	126	65	101	99
Scandinavia	116	144	286	129	153	204
Spain and Portugal ..	40	51	50	143	65	43
Japan	4	42	77	13	67	256
India	60	51	98	56	7	12
Total above	4,222	4,224	5,943	4,326	5,080	6,318

Source: U.N. Direction of International Trade.

damage to private enterprise. As is generally known, tin accounts for about 90 per cent of Bolivia's exports and some 70 per cent of her national income. Prices and costs have never stopped spiralling upward since the outbreak of the unfortunate war with Paraguay in 1928-33. Political instability and huge budgetary deficit also contributed, with the result that the cost of living in La Paz advanced nearly 15 times in the last 20 years.

Inflation has nullified all the benefits of wage increases for the tin miners, who are largely ignorant, neglected mountain Indians, addicted to coca leaf chewing and easily swayed by labor agitators. Compared to other areas, the Bolivian tin properties, owned mostly by the Patino, Hochschild and Aramayo interests, have always been high cost producers. But Bolivia is the only important tin producer in the Western Hemisphere, a factor not to be overlooked.

Tin price troubles started in the Fall of 1949, when the British, following the pound devaluation, dumped their military tin stockpile on the market in order to get dollars. This depressed tin prices, which were around \$1 a pound, to about 75 cents. A year later, post-Korean war hysteria sent tin prices up to \$1.90, but the U. S. Government, which was the sole buyer and seller of tin, withdrew from the market, bringing down the price by mid-summer of 1951 to about \$1.03. When at that time the Bolivian tin contract came up for renewal, the Bolivians asked \$1.50 a pound, pointing to their inflated costs and to the fact that the pre-Korean price was unduly depressed by British dumping. Mr. W. Stuart Symington of the Reconstruction Finance Corporation, which did all the tin buying, refused, anticipating quite correctly that if we met Bolivian demands we would have to pay that price to everybody.

Bolivian Clash Ends With Everyone Losing

Although the Bolivians would have accepted later \$1.30 for their tin, if we would have "sweetened" the price with a developmental loan, nothing was done. Bolivian tin began to accumulate in North Chilean ports, while the Bolivian foreign exchange position deteriorated. This deteriorating economic situation sealed the doom for the Government which was conservative and otherwise friendly to us, having invited a group of American experts to reform the country's finances. A group of Texas oil men were also negotiating in La Paz for an oil concession. Early in April, a revolution brought to power a left-

POLITICAL UNREST IN LATIN AMERICA—FIVE-YEAR RECORD

- 1 May, '47 — Military coup forces President of Nicaragua to quit.
- 2 August, '47 — Military clique removes President of Ecuador.
- 3 March, '48 — Costa Rican junta forces President's resignation.
- 4 April, '48 — Colombian revolt follows killing of politician.
- 5 June, '48 — Paraguay's President forced out of office by coup.
- 6 October, '48 — Military revolt overthrows Peruvian President.
- 7 November, '48 — Army revolt ousts President of Venezuela.
- 8 December, '48 — Young officers expel President of El Salvador.
- 9 November, '49 — Coup by police installs new Panama President.
- 10 May, '50 — Military junta seizes power, deposes President of Haiti.
- 11 May, '51 — President of Panama ousted from office in a coup.
- 12 March, '52 — General Batista takes over Cuban government.
- 13 April, '52 — Rebels seize capital of Bolivia, seat new President.

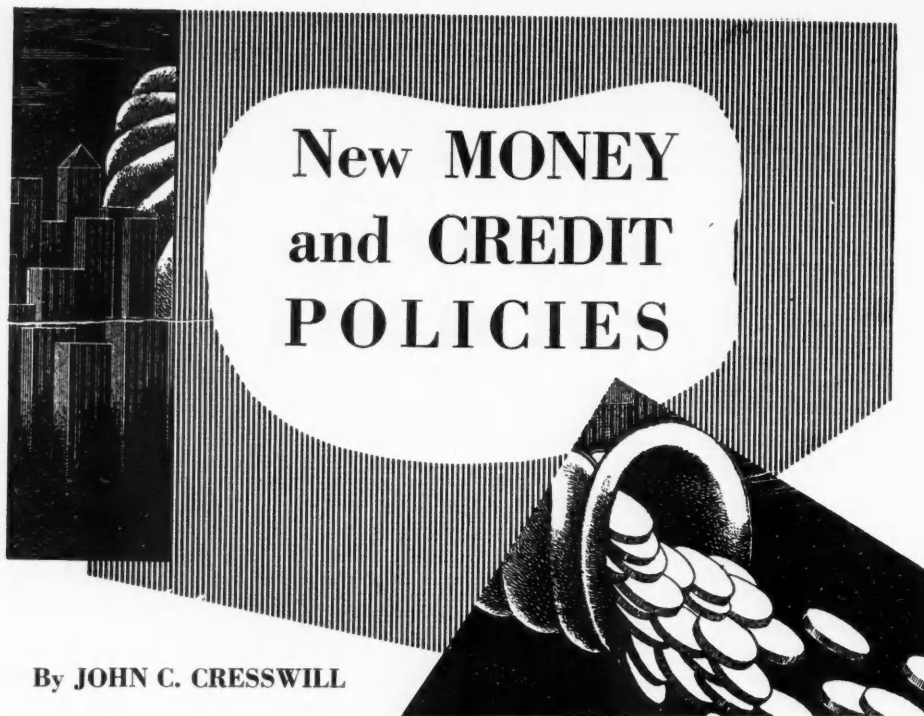


ist group which will apparently look to Peron for its guidance. Oil negotiations were broken off, to the great relief of the Peronista press, which has been charging us right along with "gross economic aggression". If the present Government stays long enough in power, the privately owned tin mines, in which American investors have a substantial interest, will be nationalized. We have not recognized the new Government as yet, but whatever happens, the damage has been done.

Chilean Copper Break is Better Handled

The latest outbreak, in Chile, came out better. Economic difficulties and the steady rise of the inflationary spiral have caused serious dissatisfaction. Although their wages are tied to the cost of living, the Chilean nitrate and copper miners struck, asking for additional increases. Internal political pressure led to the abrogation of the copper pact with the United States, under which Chile agreed to ship 80 per cent of her copper output to this country at a price of 27½¢ a pound. The remaining 20 per cent Chile was to sell in the world markets. Chile claims that our allocation policy interfered with the sales. The truth is that Chile asked nearly 55¢ a pound for this copper, but she has been unable to sell a single ton since last January.

The Chileans said they were only willing to sell us all their copper for 33½¢ a pound. They then requisitioned the output of American controlled mines, whereupon Anaconda's management suspended operations in one of the (Please turn to page 286)



By JOHN C. CRESSWILL

Whether or not the average American investor is aware of it, a fundamental change affecting his everyday life has occurred in our government's basic money and credit policies. When the Treasury and the Federal Reserve System supposedly buried the hatchet in the now historic unpegging accord of March, 1951, the U. S. climbed on the bandwagon of higher interest rates the world over. It was inevitable for this country to follow the example of Belgium, Sweden, France and the Allied-occupied countries. These nations, along with our Canadian and Latin American neighbors, already had raised discount, open market and prime rates two and three times.

What circumstances in our inflationary, yet spotty, economy maneuvered the U. S. into taking a firm stand on a tight monetary policy? Two of the principal forces were capital expansion and swollen savings.

The old era of easy credit, promoted by our government since the thirties, first began to fade after the outbreak of the Korean war. In an effort to restrain massive investment spending for capital expansion, private construction, raw materials and huge inventory stocks, an orderly readjustment became necessary. Higher long-term rates were the instrument chosen.

Historically investment outlay hinges on the behavior of interest rates. As the scarcity of funds and an acute shortage of capital for necessary projects fanned out overseas following World War II, money rates jumped in nearly all the markets of the world. This was simply the law of supply and demand in action.

In today's defense economy the identical operation is taking place here. With a cyclical peak of \$24 billion scheduled to be invested by American corporations in plant expansion and equipment in

1952, monetary authorities find justification for maintaining high rates.

Since corporate financing is by no means insensitive to fluctuating interest costs, part of the record stream of new security issues to help defray the expansion is now being offered as high as $3\frac{3}{8}\%$ for certain top-grade industrials. This course was set shortly after the accord, when the Federal Reserve System pulled its last support peg from Treasury bonds and bellwether government issues fell from above par to as low as 96-97.

The higher yields resulting from the reduced prices in

the various Treasury obligations compelled corporations to hike rates when promoting their own financing. Voluntary restraints on credit also stimulated higher rewards in the new offerings. It is generally conceded that corporate giants still would pay more for long-term funds if they restarted to their banks for loans instead of to the public. Despite the high level of business activity in many lines, tax increases have had a substantial effect in depleting undistributed profits for capital needs, so that the end of the unprecedented pace in new obligations is nowhere in sight.

Large Increase in Savings

Second vital factor in the fixing of firm rates has been the critical need of institutional investors to find new avenues for their pyramiding reserves. Last year bank savings leaped a robust \$13 billion—the largest amount since 1945. As a result of the startling increase in cash holdings, bank deposits, insurance, securities and other savings, total liquid asset hit over \$340 billion by the close of 1951. During the first three months of this year deposits of 529 mutual savings banks advanced \$418 million, registering the largest quarterly gain since compilation of the figures started in 1947.

Because these phenomenal savings are a potential inflationary threat, it has been the intent of the Treasury to siphon off as much of the idle money as possible. Individuals, trust and pension funds were the target of the so-called hybrid non-marketable $2\frac{3}{4}\%$ of 1975-80 issued May 19. State and municipal investors and a few pension funds liked the bait. Since the commercial banks have been frozen out from cash subscriptions and will only be able to exchange long-term restricted $2\frac{1}{2}\%$ acquired prior to 1946, they naturally gave the offer a skeptical reception.

By concentrating on the individual, for whom the savings bond appeal also has been sweetened through liberalized rates, and non-bank participants, the Treasury plans to bottle up some of the inflationary aspects of deficit financing by reducing money in circulation. Unfortunately the commercial banks are out in the cold and they too soon may be groping for new outlets for investment in the event of evaporation of long-term Governments. Should their deposits begin to pile up dangerously, demand will undoubtedly warrant the offering of a long-term marketable issue around 3%. Taking into consideration the exchange inducement, the Treasury is now paying 3½% on a restricted, non-marketable bond, which to many seems sheer folly.

Vested Interest in Inflation

Despite the fact that these hybrid 2¾s are well tailored to trust and pension fund requirements, their arrival at a time when the government is initiating a new pump-priming campaign is inconsistent with policy. Funds lie idle in banks during periods of depression. With concerted efforts being made in Washington to forestall the possibility of a recession until after elections, it is likely that a good share of the \$10 billion of new money the Treasury needs by Christmas will be packaged more attractively for commercial banking.

Under the Keynesian theory, when the volume of desired investment outstrips the flow of savings, inflationary pressure in the economic engine can be checked either by provoking a rise in interest rates or by adopting vigorous credit controls. Selective credit restrictions are supposed to work even when associated with cheap money. Something is working only too well from the point of view of the Administration's vested interest in inflation. Hence the ending of such emergency measures as voluntary credit restraints, the easing of installment regulations, and the virtual dropping of construction material controls.

Our financial architects suddenly find themselves steering a wobbly course between cross-currents of inflation and deflation. Preserving the boom is the guiding principle in Administration policy, but its managers simultaneously hope to retain high interest rates and tight monetary conditions. It will take more than relaxation of curbs on consumer goods to make any appreciable dent in individual savings. Production and labor costs have forced manufacturers to price themselves out of the market in many lines, so the cost of luxury items must come down before the ball starts rolling again.

How will the American businessman be affected by the current trend in monetary costs? When the honeymoon between the Treasury and Federal began over a year ago, the economy did not need a hypodermic injection. Since high rates are deflationary as they tend to restrict funds from entering the market, the government will continue to relax controls as a compensatory force until many measures, including Regulations W and X, as well as curbs on frivolous construction, will be altogether eliminated.

The system of higher interest rates inflicts more costly production on the entrepreneur.

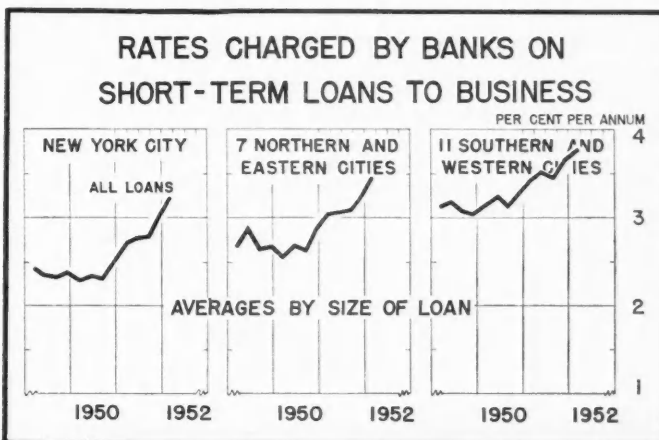
He is also bedevilled by the ever-growing need for working capital resulting from the wage upswing and credit sales to the trade. With earnings consequently reduced, the stockholder suffers from a clipped dividend policy in the end. Furthermore, he gets hit hard again by a jump in his tax payments when servicing charges to carry the national debt are increased. It is estimated that over the next five years the Treasury will burden American taxpayers with an additional \$4 billion because of the rising cost of government financing. This makes tax relief in the near future even more dubious.


Retail sales in the large metropolitan centers are temporarily showing evidences of strengthening. Even with the thinning of high inventories—now down nearly 30% from the frustrated peak of 1951—the retailer does not intend to rush to his banker as he has in the past. Because of increased carrying charges, it is impractical to stock up. Business therefore will be operating on a day-to-day basis during the remainder of the year on the lookout for a downward movement—which may not come.

The twentieth century cycle has proved that a severe drop in commodity prices, as already experienced, ordinarily is the forerunner of an eventual transition in monetary objectives. But because of the numerous conflicting tides in our semi-wartime footing, it is improbable that the usual pattern will be followed. For instance, short-term prime commercial bank money was boosted upward three times in 1951 to 3 per cent. Most bank economists contend that the rates will have to remain up because of increased operating costs. On the other hand, in view of the downward trend in business loans already setting in, it is questionable where there will be enough support to bolster the rates by 1953 unless new Treasury financing can absorb the expanding reserves.

Coming Conflict with Treasury?

Federal Reserve's attitude is that a suitable long-term offering for the banks would act as a potent inflationary weapon. When the commercial banks purchase government securities their deposits are increased by merely debiting their cash balances and crediting the Treasury account. A new rumpus with the Treasury thus is being stirred. The next six months will tell the story. If Federal and the Treasury are able to agree (Please turn to page 290)





Happening in Washington

TRUMAN CAMPAIGN TRIP UNLIKELY

By E. K. T.

CAMPAIGN activity plans of President Truman are subject to change on short notice, and it will surprise his intimates if he goes through with the announced program of whistle-stop speeches on behalf of the Democratic nominee, "regardless of who heads the

ticket." The President will find in a few preliminary talks that the fact of his non-candidacy will detract from the size of the crowds, the enthusiasm, and the press notices. It is plainly transparent that the purpose of the speeches would be to spread on the record, and underscore, the achievements of the past seven years in the White House.

WASHINGTON SEES:

Alben Barkley's career in public office has not been marked by half-baked public statements, but the Vice President appears to have gone completely overboard in the enthusiasm of a CIO meeting when he declared it is un-American for the steel companies not to accept the settlement offer proposed by the Wage Stabilization Board.

It is difficult to take such a suggestion seriously; dangerous, perhaps, to take it otherwise, since it comes from the holder of one of the major legislative positions in this government. For a legislator to suggest that an administrative tribunal which has none of the attributes of a judicial court must be obeyed at the risk of committing treason starts a line of thinking that can lead to startling conclusions.

The forum selected by the Veep makes the situation still more strange. Philip Murray, president of the CIO, shared the platform and presumably purred as the Vice President slapped at the steel industry for failing to speak an enthusiastic "yes" to the WSB. One may wonder whether Murray's mind did not run back to another troubled time in the history of this country—a dozen years ago, right before Pearl Harbor. The National Mediation Board was considering John L. Lewis' demand for a union shop in the steel company-owned coal mines. Murray supported the demand enthusiastically. When the board ruled against, Lewis, Murray took his team off the field, pulled out of Mediation Board service, and effectively wrecked it. The tribunal was put out of business because Murray exercised a right he would deny today to management.

ASSUMING the senate's plan to abolish the Wage Stabilization Board as now constituted and replace it with one composed wholly of public members (dropping industry and labor representatives) is adopted, experts on arbitration here say the situation will be improved very little, if at all. It is obvious that should the appointing power seek to pick from the undefined public a balanced board, not topheavy with either the friends of industry or the friends of labor, it would be difficult to find anyone whose interest doesn't lie with one or the other. The advice of both employers and employees will have to be sought and followed. Furthermore, charges that the board is loaded are inevitable.

STRIKES against the federal government are prohibited by statute, but the ingenuity of the professional labor leaders seemingly knows no limits, and a means of circumvention is reportedly getting serious consideration in the ranks of the federal jobholders. Congress is considering a cut in annual leave from the present 26 days (on the five-day week that's five weeks and one day vacation annually) to a system graduated upward based on years of service, with 26 days as maximum. Although they can't strike, the federal workers have a strong union, and their leaders are urging them to protest by demanding their off time en masse.

DISPERSAL of industry without the urge of legislation is becoming a fact, the National Security Resources Board has found. That would seem to end the campaign for requiring companies, under threat of losing defense contracts, to place new installations at points away from crowded industrial centers. NSRB made a study, found that 49 per cent of defense expansions costing 1 million dollars or more were located away from any city of 100,000 or more population.

As We Go To Press

A revised plan for federal flood insurance has been sent to the Capitol from the White House and it stands an excellent chance of enactment, provided the legislators move while memories of recent damage are fresh. The new draft vastly improves the proposals made last year. Congress was quick to reject the earlier one. Under the new plan, federal insurance would not be available in situations where private companies are willing to write the coverage at reasonable rates. The "reasonable rates" language won't cause any difficulty; private companies of integrity and experience will regard it as a protection against fly-by-night operators who mulct and run.

Under the new plan, the federal government would insure (within the limitations above stated) or reinsure up to 90 per cent of flood loss with a maximum limit of \$250,000 to an assured. No gift coverage is contemplated; rates would be fixed at a level high enough

to cover risk experience and operating costs. Weakness is the lack of sound experience data in this field of insurance. Private companies aren't able to give much help. They have written little coverage in this area of protection. Common business sense would dictate a premium level high enough to be safe from the insurer's standpoint, and that might mean a level beyond the reach of the property owner. The basic plan is elastic enough to make it a government venture in its initial period, turn it over to private business if it proves attractive.

Averell Harriman is the new political darling of the Washington press corps. He won over the correspondents when he addressed the National Press Club and, perhaps, he did more to promote his nomination for the Presidency on the democratic ticket than anything else to that end he has engineered to date. Present were correspondents for newspapers in all sections of the United States. Harriman spoke off-the-cuff, ducked no questions put to him, and exuded confidence. Their news stories to the papers back home won't do him a bit of harm.

Set apart from the surrounding language and reasoning, the Averell speech might create a reaction of immodesty: I am, he said, the best qualified candidate for the Presidency in either party, and I will be nominated and elected. But he went on to give oral proof that he possesses qualifications none of the others claims. His White House association has been long and intimate and he knows the problems of the high office, how the mistakes have been made, how organization of a team is carried on, he pointed out; he knows the international situation and diplomacy by reason of service as Ambassador at London and in Moscow and in his present job as head of the Mutual Security Administration, he declared for the record. He virtually is assured of labor support, has strung along with FDR and HST, and would pick up a large share of the following of the two Presidents he served under. He left the Republican party in 1928 to campaign for Al Smith and that will help in some states.

Steel (spelled with two e's) pushed discussion of corruption in government completely out of the conversation piece in Washington to become the main topic in all three co-equal branches of government -- the legislative, executive and judicial. While the Supreme Court was busy hearing argument on the validity of President Truman's seizure, the White House was carrying on a campaign of defense and making some effort to bring about a settlement, and Congress was completely immersed in the issue. Administrative agencies, especially the Defense Production Administration, Office of Price Stabilization, and Wage Stabilization Board talked of little else.

Illustrative of how Capitol Hill goes to pieces when confronted with a situation which his off the beaten legislative track was its reaction to the steel seizure and off-and-on strike. Eight separate committees set up shop to investigate

some phase of the dispute! Everybody wanted to get into the act while it was still headline-worthy. Only one of them had actual legislation to weight: the Armed Services Committee was considering the Smith Bill to enjoin strikes against the national defense interest

Investigation of the fitness of Senator Joseph R. McCarthy, Wisconsin republican, to continue as a member of Congress is providing the Capitol with an interesting sideshow and probably will prove to be no more than that. To unseat a senator because he wrote an article for a company having an RFC fund application pending would be to open up a question that might be embarrassing to many members of congress and numerous other amateur authors in the departments and agencies. The term amateur may have been a poor selection.. Senator A. S. Monroney of Oklahoma, a former reporter, put his pencil to work and computed that the \$10,000 Lustron, Inc., paid McCarthy for his article figured to 70 cents a word. Washington newsmen read that and drooled.

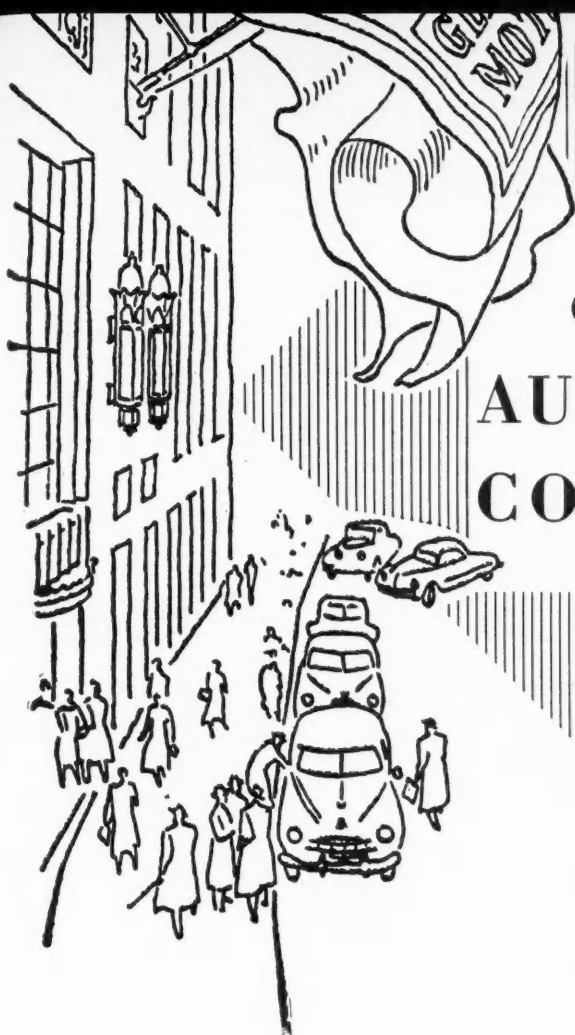
Sale of the article isn't the only charge against McCarthy. There are other specifications in the complaint filed by Senator William M. Benton of Connecticut, who hasn't liked McCarthy since the Wisconsin member attacked the State Department at a time when Benton was an Assistant Secretary of State. But McCarthy comes up for nomination and election this year and it is a virtual certainty that the Senate will agree the voters of his state should be the jury, should render the verdict. Unseating a senator is far from easy. His colleagues even refused to oust Bilbo of Mississippi!

The national political conventions are only weeks away but the picture, instead of clearing, is becoming more clouded. On the Republican side Harold Stassen has joined in expressing the commonly-accepted fact that he hasn't a chance, admits he is in the race to stop Taft. His handful of delegates, assuming he can deliver them, will go to Eisenhower. The political prognosticators say Taft can't win, but he keeps picking up delegates, still is in the lead in that respect. And nobody knows who the Democratic nominee will be, a circumstance which could determine whether Taft could be a winning candidate or another Landon. Optimism in Taft headquarters here could be synthetic but it most certainly has all the marks of genuineness.

The Taft-dominated Republican national committee headquarters here still wears the false-face of impartiality, won't even make an off-the-record guess as to the outcome. But the impression one gains there is that the committee considers it a two-man race, that it will be either Taft or Eisenhower. Although he is the titular head of the party because he was the most recent GOP nominee for the Presidency, Thomas E. Dewey doesn't even drop into the offices while he is in Washington with time on his hands. Reason: he likes Ike.

Agitation for abolition of all economic controls may be progressing too fast for the good of the movement. No objective viewer would agree that all of the strictures now in force are needed or, in fact, helpful; none would suggest that all should be wiped out. Charles E. Wilson, resigned defense mobilizer, is undoubtedly piqued. He appears to be leading a move to eradicate some of the basics he was defending only a matter of weeks ago. When suspicion grows as to the motives behind campaign, the opposition is rallied, and experience shows that it's much easier to pass a law than to revoke one.

Assuredly, nobody of standing in the field of government economics would assert that the controls program has been without mistakes, blunders, in its administration. But to suggest that it is a dead duck, as Mr. Wilson has, is to invite its total repeal. And that comes as a time when the OPS announces an increase in ceiling prices on more than a dozen items, and the Labor Department reports the first rise in wholesale prices in several months! Also the Federal Emergency Court of Appeals (on price ceilings) rules that the Capehart Amendment means that not only processors, but also wholesalers and retailers, may have price boosts to cover their costs. Even Capehart expressed surprise at that one, said it wasn't intended that way. Ellis Arnall, OPS administrator, has asked congress to clarify the situation. What he means by clarification is, of course, repeal of the Capehart Amendmen, and that definitely is not in sight.



Outlook for . . AUTOMOBILE COMPANIES

By GEORGE L. MERTON

The current quarter, now almost completed, and the next one are the six months the automobile industry depends upon to make 1952 a reasonably satisfactory year.

Automobile manufacturers, who have been having their troubles in 1952 so far, shared the grief with their stockholders in the first-quarter reports. General Motors' sales were down 8½% from first-quarter 1951. Hudson, Packard and Nash reported lower earnings than in the like quarter a year earlier. A happy exception was Chrysler, with an increase in earnings of some \$5 million, attributable to a cut in production costs which widened margin on sales to 3.24% from 2.31% in the previous year.

Chrysler's management did not go into details, but the company had been a major user of costly conversion steel earlier in the postwar era, and this might have run up 1951 costs. Also, it got two price rises in the last half of 1951. Moreover, the after-effects of such a conflict as Chrysler's January-to-May strike in 1950 are a long time disappearing completely.

For the industry as a whole, the first quarter of 1952 was an unqualified disappointment. Sales to-

talled 1,293,599 vehicles, compared to 1,980,176 in first-quarter 1951. That is a drop of 35%, nearly 690,000 cars. March sales, aided by an extra business day, were up 11% from February, but lagged far behind March, 1951. April showed a big jump, with passenger-car production alone rising to 415,000.

Advancing spring and relaxed installment terms will undoubtedly add further to production and sales, and indeed have already begun doing so.

Private Credit Curbs to Continue

The effects of these stimuli can be over-estimated, however, for several important reasons:

1. Credit terms are not to be relaxed as greatly as first reports indicated. The biggest banks rediscounting this paper for dealers—National City in New York and Bank of America on the Pacific Coast—issued cautionary statements in the wake of the scrapping of Regulation W by the Federal Reserve Board.

2. Calculations based on cars in use, number of households, the price-level of automobiles and the cost of living point to a total demand for passenger cars this year of 4.5 million or less. These calculations have been fairly accurate in the past.

3. Inflexible government regulations and government interference in matters affecting the automobile industry along with other industries.

Examples of the last factor are numerous. When the Controlled Materials Plan was first put into effect, a sharp restriction upon automatic or semi-automatic transmissions on lower-priced cars was included. The ostensible reason was to save alloy metals. Some trifling saving was probably made, but the chief effect was to protect Ford, which at that time didn't have facilities for meeting the demand

for this popular postwar feature, from encroachments on its market by Chevrolet, which did.

Just now the competitive situation is reversed. Ford has come out with popular new models, in both the V-8 and six-cylinder lines. To take full advantage of the shifting sales sentiment, however, Ford would need more steel than it is presently allotted. An application for this concession brought loud outcries from Chrysler, which would be relegated from second to third place, as well as from the smaller companies.

In another instance, the working of the steel quota system may have worked an injustice on Studebaker. This company was just in the act of upgrading its line—from 20% in the high-priced Commander line to 60% Commanders—when the quotas were put on. This held back production until the last quarter of 1951. Then, in the general decline of consumer interest, Studebaker couldn't sell all it had been allotted.

Controls Bound to Upset Sellers

These instances of ill matching of supplies to demand are probably inseparable from any system of direct controls. Loosening supplies have made them of purely historical interest, unless a steel strike finally occurs. While the automobile companies themselves are protected with supplies for their own forgings and stampings, they can be shut down quickly by lack of parts from suppliers, and many suppliers rely on warehouse steel which is the first to dry up.

One acute political harassment arose in mid-May and disappeared two weeks later in an unusual display of good sense by the State Department and the Office of Price Administration. Chile, supplier of one-third of the nation's copper, shut off shipments to force a lifting of the U. S. ceiling price. The OPS gave in, allowing processors to pay whatever Chile wants and pass four-fifths of the resultant added cost on to the purchaser of the fabricated article.

Moving into the prospects of the individual companies, any view is necessarily clouded by the imperfect statistics on defense contracts. Generally these are let for sufficient quantities to make it feasible to tool up a plant, with the understanding that

Comprehensive Statistics

Figures are in million dollars, except where otherwise stated

Chrysler

General Motors

CAPITALIZATION:

Long Term Debt, Stated Value		
Preferred Stock, Stated Value		\$285.5
No. of Com. Shares Out. (000 omtd.)	8,702	87,401
Total Capitalization	\$217.5	\$726.5
INCOME ACCOUNT: Fiscal Yr. ended		
Net Sales	12/31/51	12/31/51
Depreciation, Amortization, etc.	\$2,546.6	\$7,465.5
Income Taxes	\$25.8	\$124.7
Net Available for Interest	\$79.0	\$982.5
Interest		
Preferred Dividend Requirements		\$12.9
Balance for Common	\$71.9	\$493.2
Operating Margin	5.7%	20.3%
Net Profit Margin	2.8%	6.7%
Percent Earned on Invested Capital	13.8%	19.9%
Current Price of Common	75	55
Price-Earnings Ratio	9.0	9.7

BALANCE SHEET: Fiscal Year ended		
Cash and Marketable Securities	12/31/51	12/31/51
Inventories, Net	\$195.2	\$550.0
Receivables, Net	\$210.9	\$1,140.9
Current Assets	\$58.6	\$558.8
Current Liabilities	\$479.8	\$2,249.8
Net Current Assets	\$236.9	\$793.0
Fixed Assets, Net	\$242.9	\$1,456.8
Total Assets	\$254.8	\$941.8
Book Value Per Share	\$757.9	\$3,671.5
Net Current Assets Per Share ¹	\$59.87	\$25.15
Cash Assets Per Share	\$27.91	\$13.40
Current Ratio	\$22.43	\$6.29
Inventories as Percent of Sales	2.0	2.8
Inventories as % of Current Assets	8.2%	15.2%
Total Surplus	43.9%	50.7%
	\$303.4	\$1,805.7

(d)—Deficit.

¹—After deducting prior obligations.

²—Net credit tax carry-back.

Comparative Earnings & Dividend Record of Leading Auto & Truck Companies

	Net Per Share			Dividends Per Share			Recent Price	Yield†	Price Range 1951-52
	1951	1950	1949	1951	1950	1949			
Chrysler	\$ 8.27	\$14.69	\$15.19	\$7.50	\$9.75	\$5.25	75	10.0%	82½-65½
Diamond T Motor Car	2.10	.78	.35	.75	1.00	1.00	13½	5.5	19¾-12½
Federal Motor Truck	.45	(d) 2.27	(d) 1.60				4¾		8¾- 4¾
General Motors	5.63	9.38	7.33	4.00	6.00	4.00	54½	7.3	55½-46
Hudson Motor Car	(d) .59	6.30	5.30	1.00	2.50	1.70 ¹	14¾	6.8	20¾-12½
Kaiser-Frazer Corp.	(d) 2.70	(d) 2.91	(d) 6.65				5		8¾- 4¾
Mack Trucks	1.57	.93	(d) 2.71	1.00			14¾	6.8	20¾-14
Nash-Kelvinator	3.74	6.64	6.04	2.00	2.85	2.15	19¼	10.4	22½-17½
Packard Motor Car	.38	.35	.52	.30		.50	4¾	6.3	6¾- 4¾
Reo Motors	4.92	4.35	(d) 4.03	1.00			20¾	4.9	23½-16¾
Studebaker	5.36	9.56	11.70	3.00	3.35	2.50	38	7.8	39¼-25½
Twin Coach Co.	2.07	.50	(d) 2.19	²			10¾		12½- 8¾
White Motor Co.	5.83	6.14	1.41	2.25	1.60	1.15	26¾	8.5	31¾-25¼
Willys-Overland Motors	1.46	.37	1.04				9¾		12 - 7¾

†—Based on 1951 dividend.

(d)—Deficit.

¹—Plus stock.

²—Paid in stock.

Analyzing Position of Leading Auto and Truck Manufacturers

Hudson Motor Car	Mock Trucks	Nash- Kelvinator	Packard Motor Car	Studebaker Corp.	White Motor	Willys- Overland Motors
\$3.0	\$10.0	\$20.0		\$8.2	\$17.8	\$5
1,906	1,494	4,341	14,891	2,355	774	2,795
\$26.7	\$17.4	\$41.7	\$29.5	\$10.6	\$18.6	\$14.1
12/31/51	12/31/51	9/30/51	12/31/51	12/31/51	12/31/51	9/30/51
\$186.0	\$149.7	\$401.1	\$178.1	\$503.3	\$150.0	\$219.8
\$3.6	\$2.1	\$3.3	\$2.9	\$3.9	\$1.5	\$4.1
\$1.6 ²	\$2.8	\$16.7	\$5.1	\$11.0	\$7.3	\$9.6
	\$6.1	\$34.1		\$24.0	\$12.2	\$14.2
\$1	\$1.5	\$6		\$2	\$5	
(d) \$1.1	\$2.3	\$16.2	\$5.5	\$12.6	\$4.3	\$4.0
(d) 1.6%	2.4%	7.4%	5.4%	4.5%	7.4%	6.3%
(d) .6%	1.5%	4.0%	3.1%	2.4%	2.8%	2.1%
	4.2%	13.5%	7.1%	11.9%	9.0%	7.7%
14	14	19	4	39	26	9
	8.8	5.1	11.5	7.2	4.4	6.1
12/31/51	12/31/51	9/30/51	12/31/51	12/31/51	12/31/51	9/30/51
\$10.2	\$9.2	\$58.8	\$25.6	\$29.8	\$7.1	\$20.3
\$48.2	\$61.0	\$59.7	\$30.2	\$59.0	\$50.6	\$28.4
\$2.2	\$25.1	\$15.4	\$3.8	\$23.0	\$18.9	\$15.2
\$62.2	\$95.5	\$135.0	\$66.5	\$114.8	\$76.7	\$66.8
\$16.8	\$50.2	\$50.5	\$21.8	\$50.5	\$25.3	\$41.1
\$45.4	\$45.3	\$84.5	\$44.7	\$64.3	\$51.4	\$25.7
\$25.0	\$17.0	\$42.4	\$32.3	\$48.7	\$14.2	\$27.3
\$89.6	\$116.4	\$190.2	\$100.7	\$164.1	\$92.3	\$101.6
\$36.61	\$37.59	\$27.59	\$5.30	\$44.76	\$64.31	\$17.56
\$22.23	\$23.62	\$14.86	\$3.02	\$23.82	\$43.39	\$5.12
\$5.38	\$6.22	\$13.54	\$1.72	\$12.65	\$9.29	\$7.26
3.7	1.9	2.6	3.0	2.2	3.0	1.6
25.9%	40.8%	14.8%	16.1%	11.7%	33.7%	12.9%
77.5%	63.9%	44.2%	45.4%	51.4%	66.0%	42.5%
\$46.0	\$48.7	\$98.0	\$46.9	\$103.0	\$47.1	\$45.9

subsequent orders will come in fast enough to keep a working force together. A further complication is the practice of granting accelerated amortization on these facilities, which influences the corporation's bookkeeping by lowering earnings and providing cash for five years, at the expense of a lower capital base for earnings five years hence and thereafter until the facility wears out.

Situations of Individual Producers

With those reservations, here are some remarks about individual producers:

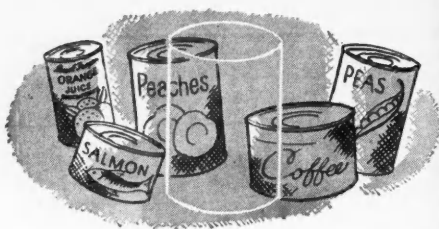
General Motors Corp. officials discussed their difficulties very frankly when the corporation's annual report showed total sales down 1% and net income off 39%—from \$9.35 a share in 1950 to \$5.63 a share in 1951. Disclosures at that time, however, point to the likelihood of a turn upward, although not too sharply, this year even under continued controls. Dollar sales to civilians fell off \$617 million, while dollar sales to the armed forces—carrying possibly half the profit margin—increased by \$552 million.

The decline in civilian sales was steady after the first quarter, the last quarter of the year showing a 17% reduction from the first.

This left the corporation with idle machinery and an expansible work force, with which it can take advantage of any greater availability of materials as this year advances. Defense goods deliveries, as 1951 ended, were at a \$1.3 billion a year rate, but as stated before these deliveries will do little to widen the margin of net income to sales, which dropped in 1951 to 6.8% from 1950's 11.1%. GM got into the excess profits bracket to the extent of \$177 million last year. This would seem to indicate that a drop in pre-tax earnings of \$215 million would still leave GM with \$5.18 a share. It would take an additional \$215 million, pre-tax, to push it to \$6.03.

General Motors officials have often expressed the wish that the corporation could return to its prewar practice of paying out some 75% of earnings in dividends. This sentiment would appear to preclude any reduction in the \$4 dividend unless some calamity unforeseen at the moment overtakes the economy.

Chrysler Corp., as (Please turn to page 286)



Comparative Analysis of Two Great CAN Companies

By J. C. CLIFFORD

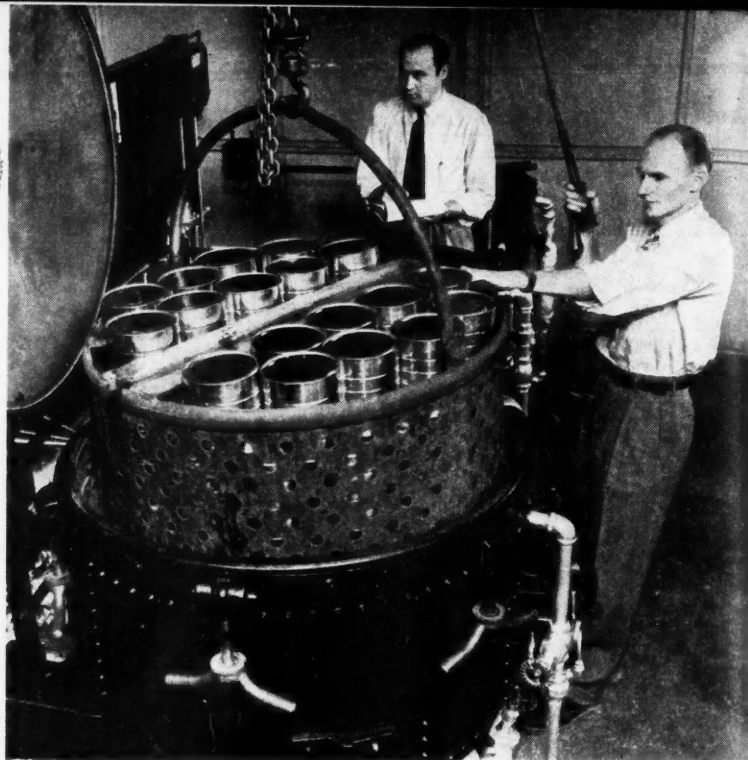
Out of the simple but vital need to preserve foodstuffs has developed, in late years, an industry of such proportions as to make possible such large concerns as the American Can Company and the Continental Can Company.

According to history, Napoleon's quartermaster, confronted with the problem of feeding an army in the field, conceived the idea of putting food in glass containers. Two years later the tin can was developed and used for the preservation of food for the British Navy. In such a fashion was born an industry that, moving slowly for about the next hundred years, was destined by the beginning of the Twentieth Century to expand into an economic factor of first importance by any measure, and begot the two giants of the business in American and Continental Can.

American Can, the older and larger of the two, is without question the leader in the industry. Its production of tin containers furnishes about 50% of canners' annual requirements, and this output is augmented by production of paper and fibre containers, demand for which has shown consistent growth. Continental as a producer of tin containers is not far behind its competitor, maintaining at the same time its position as the leading producer of fibre drums and containers. Continental is also one of the largest manufacturers of bottle caps and crowns.

While sales of the latter products help earnings of Continental, such contributions to the total volume are relatively small. Metal containers and paper containers and fibre drums account for approximately 93% of dollar value of the company's business. It is in the production of these items that American Can and Continental present the greatest rivalry.

Both companies are constantly alert to the development of new products in various industries and



the need for more convenient, more economical and more sanitary packaging of the thousand and one products of America's industries. Unremitting research and engineering are regarded by American and Continental as highly important divisions of their business. To carry on such work both maintain well equipped laboratories and competent staffs whose efforts are devoted exclusively to research and engineering development.

Through these facilities, the two companies are continually looking for and bringing forth improvements not only in their own products, processes and materials, but aiding the food growing industry and producers in other lines of business in solving packaging and distributing methods for established products as well as new items to be placed on the market.

Through these efforts, the container industry has practically revolutionized our way of living by creating a new agricultural era, helping to raise the standard of living in many sections of the world, and bringing into existence, for a score of industries, vast new markets that would have remained unavailable to them were it not for the metal container.

Last Decade Has Seen Major Progress

It is difficult to realize that much of the growth in the metal container industry has taken place within the last decade. Putting coffee in paper bags is an obsolete way of selling coffee. To know that our coffee, ground exactly the way we like it, is fresh, we insist that it be delivered to us in the now familiar vacuum sealed can.

We get our milk in sanitary paper containers, our beer in cans, freshly shelled salted peanuts, candy, beef stew, and practically everything else we need to maintain life and at the same time make the maintaining easier, fuller and happier. The container industry has been an important factor in the rapid

expansion of the frozen foods industry. Through its development of the combination metal and fibre container it has made possible the packaging of semi-liquid products, and was quick to make available metal containers of required sizes for the packaging of frozen orange and other fruit juices which have had such phenomenal growth in sales.

Both Active in War Work

As the need for modern packaging in the form of metal and fibre containers has grown, so have American and Continental Can. In 1940, the year before Pearl Harbor, American Can's net sales amounted to \$197.5 million from which was realized net earnings of \$17.4 million, or \$5.88 a share on the then outstanding common stock. In that same year, Continental's net sales of \$101 million produced net earnings of \$8.9 million, or \$2.82 for the common stock. Then came the war years, creating scarcities of materials for civilian use and upsetting the whole economy, with war's demands employing a considerable portion of American Can's and Continental Can's facilities.

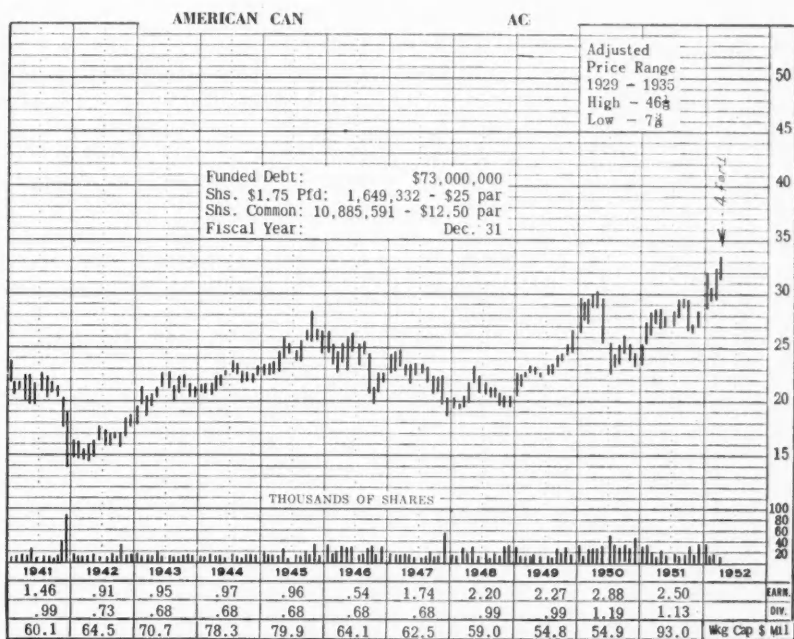
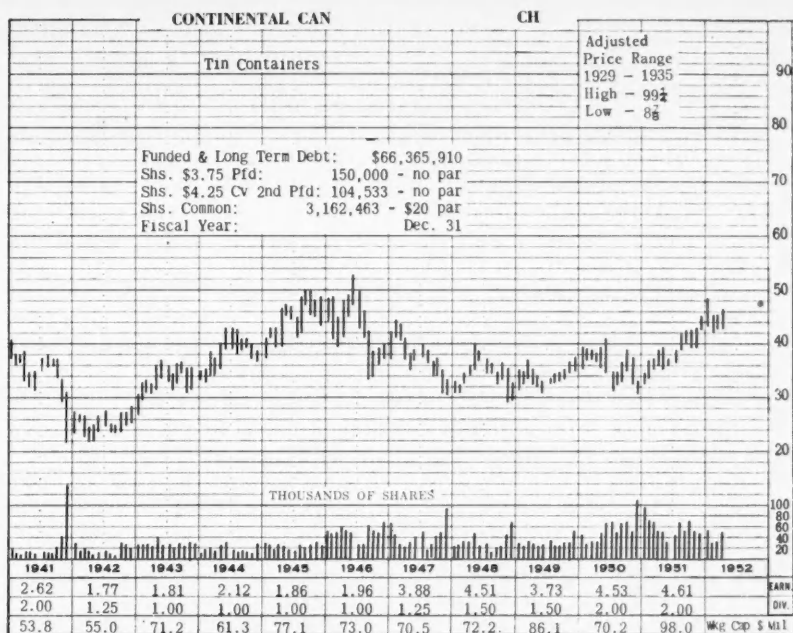
Shortly after the end of the war both American and Continental Can, while still subject to government-imposed tin restrictions, were in a position to again serve their customers. It took some users of the companies' products a little while longer to get back to a normal operating schedule. In any event, by 1947, American Can's net sales had climbed to \$338.1 million. Continental, which set the pace that year, reported sales and operating revenue of \$266.4 million. Net earnings of American Can for the year were \$19.3 million, or \$7.66 a common share then outstanding. Continental's net of \$12.8 million was equal to \$3.88 a common share.

Both companies, over the years, have registered almost unbroken upward trends in sales volumes, with the rate of increase quickening within the last five years. American Can, for instance, did a record business of \$555.2 million in 1950, surpassing the 1947 figure by \$217.1 million. Continental's 1950 business of \$397.8 million, also a record, was \$131.4 million greater than the 1947 volume. On a percentage basis American Can's gain in 1950 over 1947 was 64.2%. Continental's 1950 volume was 68.6% greater than that shown for 1947.

Operations in the metal container industry in 1951 were carried on under adverse conditions, arising first from continued tin restrictions and second from government allocations of steel. Steel allotments made it difficult and in some instances impossible to sat-

isfy the needs of all can users. Because of these conditions, American Can's physical volume for the year was about 8% under 1950 output although dollar volume, aided by an advance in selling prices to partially offset higher costs of labor, materials and services, was at a record high level of \$570 million. Excess profits tax of \$4.6 million, however, wiped out any gain in 1951 net income which was \$30.1 million, compared with 1950 net of \$34.2 million. Continental, of course, also encountered similar operating difficulties but because of its more favorable tax position, was able to improve net earnings which amounted to \$15.2 million or slightly more than the \$14.8 million realized in the previous year.

The ability of American Can and Continental to



fill the rising demand for tin cans, fibre and paper containers which has developed from year to year has been the outcome of the farsightedness of the two companies in achieving greater efficiency in production in established plants and increased capacity through the opening of new plants. The growth of American Can has been entirely through such endeavors, for at no time since 1912 has the company absorbed a metal container manufacturer.

• Retained Earnings Finance Vast Growth

In carrying out its expansion program the company has consistently retained in the business an adequate portion of yearly earnings and since the end of World War II has made capital expenditures of \$183.5 million. In the last two years alone American Can has expended for land, buildings and equipment \$75.5 million. In 1951, two new can factories were put into operation to produce cans for perishable foods and another plant is scheduled to go into operation at Stockton, Calif., in time to supply cans for the 1952 canning season. Including the latter unit, American Can will then be operating a total of 56 plants producing metal containers. Of this number, 48 are in the continental United States, six are located throughout Canada, and two are in the Hawaiian Islands. The company operates two paper and fibre container plants and eight machine shops for the production of can making and sealing machinery.

Comparative Statistical Summary

	American Can	Continental Can
CAPITALIZATION: as of	12/31/51	12/31/51
Preferred Stock (Stated Value—000 omtd.)	\$ 41,233	\$ 25,452
Common Stock (number of shares)	10,885,591 ¹	3,163,944
Long Term Debt (000 omitted)	\$ 48,000	\$ 64,100
Total Capitalization (000 omitted)	\$ 340,171 ¹	\$ 152,817
INCOME ACCOUNT: (000 omtd.) Yr. end.	12/31/51	12/31/51
Net Sales	\$ 570,068	\$ 460,595
Operating Earnings	\$ 64,106	\$ 32,195
Operating Margin	11.2%	7.0%
Total Income Tax	\$ 35,900	\$ 18,775
Net Income	\$ 30,136	\$ 15,210
Net Profit Margin	5.3%	3.3%
Net Per Share, 1951	\$ 2.50 ¹	\$ 4.61
5 year average, net per share (1947-51)	\$ 2.31 ¹	\$ 4.25
Amount earned on Invested Capital	11.2%	8.5%
Current Price of Common	30 ³	45 ⁴
Price-Earnings Ratio	12.3 ¹	9.9
1951 Dividend	\$ 1.25	\$ 2.00
Dividend Yield	4.1%	4.3%
BALANCE SHEET ITEMS 000 omtd.) as of	12/31/51	12/31/51
Cash & Marketable Securities	\$ 19,144	\$ 34,369
Cash Assets as % of Current Assets	11.2%	23.4%
Receivables, Net	\$ 23,070	\$ 22,137
Inventories, Net	\$ 128,708	\$ 89,829
Inventories as % of Sales	22.5%	19.5%
Inventories as % of Current Assets	75.7%	61.4%
Total Current Assets	\$ 170,923	\$ 146,336
Total Current Liabilities	\$ 77,917	\$ 48,328
Net Working Capital	93,006	98,008
Current Ratio	2.2	3.0
Total Assets	\$ 393,321	\$ 299,456
Book Value per Share	\$ 23.07 ¹	\$ 49.73
Net Property	\$ 217,528	\$ 142,558
Gross Expenditures on plant	\$ 183,580 ²	\$ 102,000 ³
Total Surplus	\$ 115,102 ¹	\$ 89,412

(1) After re-capitalization and new stock offering.

(2) For 6 years 1946-1951.

(3) For 5 years 1947-1951.

In carrying out plant improvements and increasing productive capacity through opening of new plants, Continental Can has not been a laggard. Strengthening the company's position in the industry and making preparations to meet the growing demand for its products has been going on steadily, especially during the last five years. Since the close of 1946, the company has made capital expenditures of \$102 million. It has divested itself of certain properties, increased the productive capacity of plants in both the metal and fibre container divisions, constructed a number of new plants, and now has under construction at Pittsburg, Calif., a plant to be devoted to the production of fibre drums.

At the present time Continental has 42 metal container units, eight paper and fibre container plants, two paper mills, four crown cap plants and one plastic plant. With the exception of a plant in Cuba and three plants in Canada, all of the properties are located within the continental United States. As a source of supply of pulp for its paper mills the company controls timber acreage and plans to acquire additional acreage within the near future.

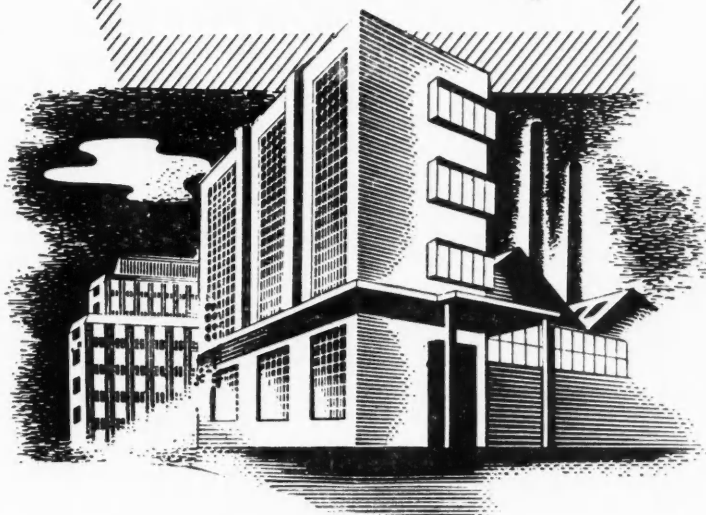
In carrying out its expansion program American Can, since 1946, has retained in the business about 48% of its earnings. At the same time it was necessary for the company to maintain a strong working capital position by reason of the greater volume of business and the necessity for increased inventories and a larger volume of receivables. So as not to interfere with development of plant improvement and expansion and yet maintain an adequate amount of working capital American Can, in 1951, borrowed \$40 million by issuing 2 $\frac{3}{4}$ % debentures, repayable at the rate of \$2 million a year.

For the purpose of readjusting its capital structure to reflect the investments made in recent years the company, early this year, reduced the par value of the 7% preferred stock from \$100 to \$25, and issued four shares of new stock for each share of old. The par value of the common stock was cut from \$25 to \$12.50 and two shares of the new par value stock were exchanged for share of old stock. Following this split-up, holders of the new common then received an additional share of new common for each share held which was, in effect, a 4-for-1 split in the common stock. Of the balance of unissued new common holders of common stock were offered rights to purchase a total of 989,599 shares at \$26 $\frac{1}{2}$ on the basis of one share for each 10 owned.

Plants Are Sold and Leased Back

Continental's method of financing varied somewhat from that of American Can. Continental put back into the business about 58% of net income during the last five years. Rather than finance new plant buildings at an excessive cost or on unfavorable terms the company made the necessary outlay for land and buildings and then sold six of these new buildings for cash, taking back 20 to 25 year leases with options to renew for long periods at considerably reduced rentals. A similar procedure was followed in connection with the new fibre plant at Tonawanda, N. Y. Additional financing was accomplished in 1951 through the sale of \$20 million in 3 $\frac{1}{8}$ % and 3 $\frac{1}{4}$ % debentures and \$10 million of \$4.25 convertible 2nd preferred stock. Funds realized from the sale of these issues will be utilized by the company in carrying out an \$80 million expansion program over the next three years. (Please turn to page 288)

30 Companies Having Only Common Stock Outstanding



By H. F. TRAVIS

Following any prolonged period of favorable sales and earnings there develops a time when signs of faltering commence to appear. It is then that investors are concerned with the possibility of decreased earnings and smaller dividends, or no dividends at all, on some of the stocks they own. Alerted to such possibilities, investors naturally endeavor to fortify their positions through the selection of stocks which appear to be least likely to suffer a severe falling off in earnings and, by the same token, more likely to maintain dividend payments on a satisfactory yield basis.

To achieve this objective, these investors often turn their attention to companies having simple capitalizations, preferably those without funded debt or preferred stock, feeling that during a period of declining industrial earnings they will not be subject to the hazards which may develop in stocks of companies having complicated capital structures with sizable fixed charges. To satisfy this need, we present in the accompanying table a list of 30 companies having for their capitalizations only common stocks.

This list, we believe, holds interest, but its presentation does not carry the implication that all of the companies examined are equal in earning power under any given conditions. It is obvious that these

companies, representing many different fields of activity, will show variations in earnings trends, reflecting the wide variance of conditions existing in their respective operations. In consideration of these facts, we present the list for the information of our readers and for future reference rather than as specific recommendations.

One feature which all of these companies have in common is that at the present time none has any preferred stock or funded debt. That is a fact which is not unalterable. Changing conditions in business or some other development might warrant the issuance of funded debt or a preferred stock by any of these companies sooner or later. Only in change is there constancy, a fact of particular importance for investors to remember. But having no funded debt or preferred stock places these 30 companies in a different category than that of companies whose common stock has overlying issues of bonds, preferred stock, or both.

The component parts of capital structures do not provide a basis on which to judge the merit of a stock. There are investors who will be attracted to a company because it has only one class of stock in the belief that such a company is more soundly managed or financially stronger than a company having a more complex capitalization. This, however, does not necessarily follow. There are times when to own shares of a company having no funded debt or preferred stock has its advantage, just as there are times when it is more advantageous to hold common stock having senior issues ahead of it.

Common stocks of companies in the latter group have come to be known as leverage stocks. These companies, having senior issues, are faced with the necessity of meeting fixed charges on bonded indebtedness and dividends on the preferred stock before calculating earnings applicable to the common stock. In an era of expanding business and increasing earnings, the advantages of leverage stocks are sharply defined. Under favorable conditions a company with senior obligations will quickly earn its fixed charges, and every dollar of net income in excess of such charges can be carried down to the common stock. In a prolonged period of good business, earnings on the common increase at an accelerated pace from year to year. This is the inherent advantage in leverage stocks.

The power of leverage when earnings are in an uptrend is sharply illustrated in the earnings report of Celanese Corp., a leading synthetic textile manufacturer, the capital structure of which includes funded indebtedness and two issues of preferred stock as well as common stock. Fixed charges on the senior issues in 1950 remained unchanged from those in 1949. Net sales in 1950 increased over 1949 by 35.7%, an increase, due to the leverage of the common by the presence of the overlying securities, which resulted in net earnings for the common for 1950 expanding by 100%.

Conversely, leverage stocks have an inherent dis-

advantage which becomes manifest in a period of declining sales and earnings. In other words, the rate of ascendancy of earnings in a period of good business can be equalled by the rapid pace of decline which sets in when business falls off. For illustration, this same company experienced a reversal of trend in 1951. Fixed charges on its indebtedness rose slightly so that this expense, plus preferred dividends in that year, was about \$1 million higher than in 1950. Net sales for 1951 declined only 12.8% but net available for the common stock fell from the 1950 figure by 44.2%.

Funded debt and preferred stock issues are obligations incurred by companies for one reason or another. Among such reasons may be the need for larger working capital; the absorption of additional facilities; or the need for rapid expansion to guard against competitors' pre-empting markets. Companies having only common stock outstanding do not, of course, have the benefit of earning power of capital funds represented by funded debt or preferred stock, or both. Many companies find such capitalization unnecessary in the operation of their business which may be of a type that does not require large inventories or receivables, or have not been confronted with situations where exigency made necessary an increase in capital funds. The common stocks of such companies are without leverage earnings which become available for the shares, in a period of increasing business, and are more likely to expand at a rate not so fast as that on leverage stocks.

No Funded Debt Problems

Again conversely, on a recession from peak operations, earnings on common stock which constitutes the only capital issue of a company usually recede at a pace that is in keeping with that which was recorded on the upswing. This advantage is broadened by the fact that a company with only common stock is free of the necessity of liquidating funded debt at maturity. Having no fixed charges it is able to apportion a comparatively liberal part of net income to dividends, retaining the balance for reinvestment in the business to the ultimate benefit of common stockholders who, after all, are the owners of the company.

In the following, we analyze briefly five companies with only common stock as capitalization. While these are strong companies, the present negative character of the market would seem to indicate that the stocks may be acquired at more attractive prices later on.

American Chicle Company

Manufacturing chewing gum products which on a price basis become available to the masses, the company throughout its 53 years of operations has demonstrated substantial earning power and the ability to sustain this earning power on a comparatively high level in such years of general business depression as those of the early thirties. In the last 10 years, increasing demand for Chicle's products, aided by broad advertising campaigns, has resulted in expanding sales which in 1951 reached \$38.3 million, or 54.2% greater than 1942 sales, although 1951 was under the record figure of \$38.9 million in sales for 1948. The common stock which constitutes the only capitalization was split 3-for-1 in 1947, when earnings for the common after the split-up were equal to \$4 a share.

In the intervening years, the company has experienced higher advertising, selling and distributing

costs which, together with increased taxes, have had a bearing on net income; that for 1951 being equal to \$3.21 a share, compared with \$3.70 in 1950 and \$3.31 in 1949. Results in the first quarter of 1952 when earnings of 76 cents a share, compared with 70 cents realized in the 1951 quarter, indicate earnings for the year equal to those for 1951, with the possibility of bettering those figures should the price of sugar, an important ingredient in Chicle's operations, decline from its present level.

The company continues to maintain its usually strong financial condition. Working capital, at the close of 1951, amounting to \$19.3 million, made up, in part, by cash and Government Notes and bonds in excess of \$11 million.

Payments since 1948 have been at the rate of 50 cents a share quarterly, plus an extra of 50 cents in each year. At the current price of 48 the yield is 5.1%.

Sunshine Biscuits, Inc.

As successor to Loose-Wiles by change of name only, this biscuit company since the close of World War II has been carrying out an extensive modernization program including the erection of new baking plants in California, Ohio and Kansas. Among other facilities are three flour mills, five candy plants and 110 distributing warehouses scattered throughout the entire United States.

Consistent advertising has been done from year to year and, combined with other activities, has resulted in a steady upswing in net sales which in 1951 reached a record volume of \$119 million compared with \$101 million for 1950 and \$76.3 million for 1946, the first year for which actual net sales figures were disclosed. Earnings showed a similar trend moving up from \$6.23 a share in 1946 to \$7.67 in 1949. This trend was halted in 1950 by slightly higher selling and shipping expenses and increased Federal taxes. As a result, share earnings were down by 43 cents to \$7.24. Again in 1951 Federal taxes, which increased by 19.96%, ate into profits and in addition the company was compelled to write off as an extraordinary charge \$1.4 million in losses from flood damages to the Kansas City bakery and flour mill. Consequently, per share earnings fell to \$6.06 for the year.

Company's Sound Finances

First quarter of 1952 figures show a continuation of increasing sales volume amounting to \$29.9 million up by \$1.3 million over sales in the first quarter of 1951, with net income despite still greater Federal taxes amounting to \$1.60 a share compared with \$1.58 a year ago, and as in other periods providing a substantial margin over current quarterly dividend payments of \$1.00 a share. The company is in a sound financial position, having no bank loans or indebtedness of any kind other than current accounts.

The current rate of \$4 a share annually is a continuation of an unbroken dividend record extending back to 1927. At the current price of 65 the yield is 6.1%.

S. H. Kress & Company

By a gradual process of expansion Kress's chain of stores has increased from 244 units in 1942 to the present 258 (four outside continental U. S.). Accompanying this growth has been a corresponding increase in net sales which, in 1951, rose to an all-time peak of \$172.3 million, compared with \$161.6 million in 1950, and \$165.3 million in 1948, the pre-

vious record year. For the year 1951, the company reported net income of \$10 million which compares with 1950 results amounting to \$12 million. This decline in net was partly due to slightly higher costs for merchandise and in operating expenses as well as an increase in Federal income taxes which were \$1.2 million greater than those paid in 1950.

Addition of New Outlets

Earnings on the capital stock in 1951 were equal to \$4.26 compared with \$5.12 a share for 1950. Earnings figures for these two years compare with per share earnings of \$4.27 in 1949 and \$5.46 in 1948. In keeping with its policy of opening new units the company, at the beginning of the current year, had construction work for two new stores under way and plans were being completed for seven stores in new locations and the replacing of four existing units with an equal number of new stores. In addition, a number of established stores will be enlarged while a number of the older type units will be rehabilitated.

In carrying out its 1951 expansion and improvement program the company made expenditures of \$6.7 million for land, buildings, equipment and fixtures. It is in a sound financial condition. Current liabilities of \$19.4 million were offset by current assets of \$55.1 million made up by cash and U. S. Government securities of \$25.8 million and inventories of \$29.1 million, indicating a net working capital of \$35.7 million. There is only one class of stock, with \$42.7 million accumulated earnings retained in the business.

Current dividend rate of 75 cents a share was established in 1949, continuing an unbroken dividend record over the last 34 years. At the current price of 51 the yield is 5.7%.

Allied Chemical & Dye Corporation

Although year to year sales and operating revenues of the company during the last ten years have risen or receded as rate of production in the important industries served by Allied Chemical rose or fell, the trend of the company's sales volume has been definitely upward. Sales and operating revenues for 1951 amounted to \$502 million or more than twice the 1942 figure and compares with \$408 million for 1950.

There is no funded debt nor capital obligation ahead of the common stock which was split 4-for-1 in 1950, so that there are now 8,856,396 common shares outstanding. Earnings on the stock, of course, have varied to reflect the rise and ebb in sales and operating revenues and calculated on the basis of amount of shares now outstanding have increased from \$2.42 a share in 1942 to \$4.58 in 1951. Results for the latter year compare with \$4.65 a share realized in 1950, despite the fact that 1951 income before Federal income and excess profits taxes surpassed 1950 income before these taxes by \$32.6 million. In the six years to the close of 1951, the company's expenditures on

its construction program aggregated about \$226 million of which sum \$75 million was derived from earnings retained in the business, \$92 million from accruals for depreciation and other reserves, and the balance of \$59 million from working capital and other items. Additional major projects for production facilities are under way in order to increase output of vitally needed chemicals and other materials in critically short supply. Company's financial condition is strong, net working capital at beginning of this year amounting to \$127.8 million.

Quarterly payments of 60 cents a share are being made compared with 50 cents quarterly and \$1 extra in 1950. The company has an unbroken dividend record extending back to 1921. At the current price of 68 the yield is 3.8%.

United Carbon Company

Sales of carbon black and natural gas, which together with natural gas and oil are the products of United Carbon, have held at a consistently high rate throughout the last decade. Crude oil output, while small in comparison with other activities of the company, has recorded substantial growth in recent years with sales of this commodity in 1951 attaining a new high level of \$3.9 million, or 59% greater than in the previous year. Net sales of all divisions in 1951, totalled \$33.3 million, the highest in the company's history, and compares with the 1950 volume of \$29.7 million.

Earnings on the capital stock in 1951 amounted to \$4.58 a share, compared with \$4.23 a share in 1950. The 1951 earnings were achieved notwithstanding a particularly high write-off of \$3.6 million for intangible drilling costs of oil wells, abandoned wells, leases and related items. The company, as in the past, is carrying on an

(Please turn to page 286)

Companies with Only Common Stock Capitalization

	Number of Shares Outstanding (000)	Six Year Earnings Average 1946-51	1951 Net Per Share	1951 Div.	Recent Price	Div. Yield†
Acme Steel	1,986	\$3.06	\$3.29	\$2.00	27¼	7.3%
Allied Chemical & Dye	8,856	3.90	4.58	3.00	68½	4.3
American Petroleum	3,154	4.88	5.17	3.00	207	1.4
American Chicle	1,298	3.34	3.21	2.50	48½	5.1
American Steel Foundries	1,187	3.88	5.62	2.55	34½	7.3
Anaconda Copper	8,674	4.70	5.79	3.50	43%	8.0
Bendix Aviation	2,117	5.35	5.58	3.00	48¼	6.2
Boeing Airplane	1,082	3.59	6.60	3.00	47¼	6.3
Chesebrough Mfg.	309	5.63	5.32	4.25	67¾	6.2
Chrysler	8,702	9.86	8.27	7.50	75	10.0
First National Stores	1,637	3.66	3.65 ¹	1.87	39	4.7
Freeport Sulphur	2,400	2.09	2.63	1.83	37½	4.9
General Electric	28,845	4.04	4.81	2.85	58½	4.8
General Portland Cement	1,040	3.98	4.36	3.00	38½	7.8
Halliburton Oil Well Cement	1,312	4.55	5.56	3.00	41	6.3
Hazel-Atlas Glass	2,172	1.82	1.55	1.20	20	6.0
Homestake Mining	2,009	1.33	1.05	2.15	37½	5.7
Industrial Rayon	1,758	6.35	5.34	3.00 ²	56½	5.3
Kennecott Copper	10,822	6.72	8.44	6.00	76¾	7.8
Kress, S. H. Co.	2,352	4.99	4.26	3.00	51¼	5.8
Link Belt	1,650	4.88	4.93	2.90	46½	6.2
Melville Shoe	2,340	2.23	2.00	1.80	23½	7.6
Ohio Oil	6,563	5.31	6.35	3.00	56¼	5.3
Parke, Davis & Co.	4,893	2.83	3.89	1.90	55½	3.4
Ruberoid Co.	556	9.16	7.23	3.50 ²	59½	5.8
Sears, Roebuck & Co.	23,646	4.54	4.73	2.75	53½	5.1
Sunshine Biscuits	1,021	6.66	6.06	4.00	63½	6.3
United Carbon	795	4.00	4.58	2.50	64¼	3.9
United Fruit	8,775	6.18	5.80	4.50	60½	7.4
Wrigley (Wm.) Jr., Co.	1,968	5.09	4.76	4.50	72½	6.2

†—Based on 1951 dividend.

¹—Estimated.

²—Plus stock.

★ ★ ★

The Realities of . . .

STEEL

Company Prospects

By GEORGE W. MATHIS

*W*arning of the approaching danger of overproduction has been heard so frequently in recent years that holders of steel stocks have become accustomed to the oft repeated prospect of this major economic problem. Something always has happened to prevent the strange experience of having steel seeking buyers. Hence, investors have come to feel that many of the adversities feared by economists may have been discounted.

Such an abundance of steel will undoubtedly eventuate some day. Logic suggests that the industry's rapid expansion of productive facilities points to the time when the country's consuming industry may be unable to absorb all the steel produced. Logic also suggests that international relationships may reach a basis at some time in the future when armament requirements may be reduced. When the time comes for a tightening of the belt it would not be surprising if the steel industry experienced hard times again. Rigid costs have been imposed and new facilities have been constructed at comparatively high cost.

In reviewing the outlook for steel stocks, one of the principal influences to take into consideration is the matter of wage rates. This subject cannot be viewed with finality until the prolonged negotiation between the C. I. O.-United Steelworkers and the industry is settled. Most observers are agreed, however, that a substantial rise in wages is certain. Higher operating ratios seem certain this year, therefore, even if demand should prove well sustained and even if production should be held virtually at capacity. Any slackening in consumption, accompanied by a decline in operations, would mean a narrowing of profit margins.

Wages Won't Follow Prices Down

Since labor has become such a vital factor in determining the profitability of steel operations, it may be well to examine the possible consequences of recent trends. Workers in steel mills have enjoyed outstanding economic benefits in the last few years. Experience has shown that it is virtually impossible to reduce wage costs in line with a downtrend in operations. Hence, profits seem likely to be imperiled, especially in the case of smaller producers, if demand should slacken to the extent that the industry might be compelled to reduce production to around 75 per cent of capacity. Because of the prolonged postwar boom, we are apt to forget that a rate of 65 to 75 per cent of capacity is normal for the steel industry.



It may be helpful at this point to study specific figures on wage rates to see how operating costs have climbed. Statistics published by the United States Steel Corporation, which presumably are fairly typical, shed light on this subject. Records show that for this major company hourly earnings averaged slightly less than 83 cents for the 1935-39 period and about \$1.29 an hour for 1945. By 1950 the hourly average wage had jumped to \$1.93 for steel workers and last year wages averaged about \$2.13 an hour, taking into account fringe benefits but excluding the cost of past pension service. It is estimated that earnings this year may average \$2.25 an hour, or not far short of double the 1945 rate.

Investors may wonder why steel producers were able to bring down to net profit such satisfactory results in the last several years with their labor costs

rising so sharply. The explanation—which is important in considering the future outlook—is to be found in the fact that increased production and operating economies contributed to improved worker productivity. Thus, even with modest price advances, the industry was able to maintain satisfactory profit margins. Essentially, greater labor productivity achieved through the installation of labor saving machinery and as a result of intensive laboratory research in the use of materials made possible the impressive economic gains in higher wages and reduced hours of work.

Management is not optimistic over continuance of this trend. Time studies indicate that the benefits of new equipment and improved procedures are waning. U. S. Steel authorities discovered as a result of a survey that without benefit of technological progress, the productivity of labor would have been 6 per cent lower in 1948 than in 1941. Reflecting gains over a generation, it was noted that production of ingots rose approximately 84 per cent between 1913 and 1951 while the total of man-hours worked declined about 26 per cent.

Break-Even Point Now Dangerously High

If rising productivity has enabled managements to counteract higher wage rates and to maintain earning power on a relatively high plane, it might be asked why the industry has resisted so strongly the latest demands of unionized labor. The answer is to be found in the fact that despite progress in efficiency, the ratio of operating expenses to sales has climbed to dangerously high levels. High operating costs can be endured so long as sales can be maintained around capacity, but profit margins fade rapidly if operations dip to levels substantially below 100 per cent. It is difficult to bring down labor costs to compensate for idle plant.

Industry executives for some time have felt anxious over the steady advance of the break-even point. They feel that the limit has been virtually reached beyond which it would be dangerous to go.

With the operating ratio approaching 80 per cent, it behooves management to take steps to protect profits in the event there should not be sufficient demand to maintain full capacity production. Indications point to a rise in the operating ratio of U. S. Steel this year to about 80 per cent from an average of about 77 per cent in the last two years. Bethlehem's ratio may climb even higher from the relatively high level of 79.7 per cent for 1951.

Records show that leading steel producers in years past were able to hold down their operating ratios to 70 per cent or less under boom conditions—with production averaging 90 per cent of capacity or more—and under adverse conditions in the depression years saw their operating ratios climb to around 80 to 82 per cent. If a decline in operations to 55 or 65 per cent of capacity, as happened more than once in the 1930's, sent the operating ratio to around 80 per cent and practically eliminated earnings, managements today must wonder how high their ratios of expenses to sales would rise if they stand now at 80 per cent with production ranging close to capacity.

What the outcome of a setback in production would be is difficult to foresee. Presumably the less efficient mills would suffer most in a return of keenly competitive conditions. Perhaps one of the first things to happen would be a shutdown of high-cost productive facilities that would be considered outmoded. Withdrawal of inefficient mills would tend to enable the remainder to raise their production rates.

Smaller Units to Suffer First and Worst

The larger integrated producers would be better able to adjust operations under such circumstances. Some smaller units might find it necessary to close down completely. Moreover, competitive advantages once enjoyed by some of the small specialty manufacturers now may be endangered by the expansion of large factors in the industry. Several moderately sized producers of electrical sheets, special galvanized steels and other types produced virtually on a tailor-made basis formerly were able to maintain

Comparative Earnings & Dividend Record of Leading Steel Companies

	Dividends Per Share			Net Per Share			Recent Price	Yield	Price Range 1951-52
	1951	1950	1949	1951	1950	1949			
Acme Steel	\$ 3.29	\$ 3.46	\$ 1.91	\$2.00	\$2.00	\$1.75	26½	7.5%	33¼-25¼
Allegheny Ludlum Steel	5.40	7.07	1.15	2.50	2.50	2.00	37¼	6.6	52½-36½
Armco Steel	6.69	11.66	7.68	3.00	4.00	2.50	36½	8.2	51½-35½
Bethlehem Steel	10.43	12.15	9.68	4.00	4.10	2.40	48	8.3	60 -46¼
Carpenter Steel	9.90	7.34	5.07	3.00 ¹	3.00 ¹	2.50	44	6.8	58 -43½
Colorado Fuel & Iron	4.89	2.64	6.77	1.50	2.12½ ¹	2.00	19½	7.6	26½-19½
Continental Steel	3.05	5.31	1.27	2.05	3.80	1.75	21	9.7	32 -20¾
Crucible Steel	11.89	8.40	(d) .35	²			32½		43 -26½
Detroit Steel Corp.	4.43	3.77	1.77	1.00	1.00	1.00	15¼	6.5	21 -13½
Granite City Steel	4.02	5.76	3.72	2.20	2.12½	1.00 ¹	21½	10.1	31½-21½
Inland Steel	7.02	7.76	5.11	3.50	3.50	3.00	45½	7.7	62½-43½
Interlake Iron Corp.	2.58	2.94	3.15	1.50	1.50	1.50	16	9.3	20½-15½
Jones & Laughlin Steel	4.76	7.36	4.00	1.80	1.70	1.30 ¹	22½	8.0	31½-21½
Keystone Steel & Wire	3.87	4.53	2.46	1.60	2.05	1.00	20½	7.8	25½-19½
Lukens Steel Co.	11.16	6.04	6.07	4.50	2.50	1.50	40¼	11.0	53½-30½
National Steel	6.15	7.88	5.34	3.00	2.85	1.83	43½	6.8	56 -43
Pittsburgh Steel	5.99	6.13	.21	²			20		30 -18
Republic Steel	9.03	10.53	7.54	4.00	4.25	3.00	39¼	10.1	49½-35½
Sharon Steel	8.06	10.03	3.59	3.50	3.75 ¹	2.00	35½	9.7	50¼-32½
Sloss-Sheffield Steel & Iron	6.02	7.87	5.35	3.00	3.00	2.00	33½	8.9	38½-31
U. S. Steel	6.08	7.29	5.39	3.00	3.45	2.25	38½	7.8	47½-37½
Wheeling Steel	10.96	11.59	4.27	3.00	2.00 ¹	2.00	35½	8.4	46½-33½
Woodward Iron Co.	8.33	7.48	7.39	4.00	4.00	3.50	53	7.5	64 -45
Youngstown Sheet & Tube	9.15	12.12	9.49	3.00	3.50	3.00	44¼	6.7	59¼-43

†—Based on 1951 dividend.

(d)—Deficit.

¹—Plus stock.

²—Payable in stock.

Comprehensive Statistics Analyzing Position of

Figures are in million dollars, except where otherwise stated.

	Acme Steel	Allegheny Ludlum Steel	Armco Steel	Bethlehem Steel	Granite City Steel	Inland Steel
CAPITALIZATION:						
Long Term Debt, Stated Value		\$22.1	\$59.1	\$220.3	\$12.0	\$67.2
Preferred Stock, Stated Value		\$8.1		\$93.3	\$10.2	
Number of Common Shares Outstanding (000 omtd.)	1,986	1,627	5,214	9,582	1,278	4,899
Total Capitalization	\$19.8	\$41.5	\$111.2	\$617.1	\$38.2	\$129.7
INCOME ACCOUNT: for Fiscal Year ended						
	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
Net Sales	\$80.9	\$228.7	\$534.8	\$1,793.0	\$86.6	\$518.6
Depreciation, Amortization, etc.	\$1.0	\$3.4	\$14.2	\$45.8	\$2.2	\$8.7
Income Taxes	\$10.8	\$20.1	\$69.1	\$162.0	\$7.9	\$54.2
Net Available for Interest		\$31.2	\$106.5	\$275.4	\$13.7	\$89.8
Interest			\$1.7		\$6	\$1.9
Preferred Dividend Requirements		\$0.04	\$1	\$6.5		
Balance for Common	\$6.5	\$7.8	\$34.8	\$100.0	\$5.1	\$34.3
Operating Margin	21.1%	12.6%	18.7%	15.4%	15.4%	17.0%
Net Profit Margin	8.1%	3.8%	6.5%	5.9%	5.9%	6.6%
Percent Earned on Invested Capital	20.6%	11.9%	12.5%	12.2%	11.6%	15.8%
Current Price of Common	26	38	37	48	22	46
Price-Earnings Ratio	7.8	7.0	5.5	4.6	5.4	6.5
BALANCE SHEET: Fiscal Year ended						
	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
Cash and Marketable Securities	\$11.5	\$15.6	\$54.5	\$473.5	\$19.1	\$88.6
Inventories, Net	\$12.2	\$31.6	\$98.7	\$257.5	\$16.1	\$77.0
Receivables, Net	\$4.3	\$16.3	\$36.4	\$141.9	\$5.2	\$27.6
Current Assets	\$28.1	\$63.7	\$189.7	\$873.1	\$40.5	\$193.7
Current Liabilities	\$14.2	\$28.5	\$70.7	\$408.7	\$19.6	\$81.3
Net Current Assets	\$13.9	\$35.2	\$119.0	\$464.4	\$20.9	\$112.4
Fixed Assets, Net	\$15.7	\$59.4	\$197.2	\$616.6	\$26.0	\$174.1
Total Assets	\$46.9	\$126.0	\$416.0	\$1,541.6	\$77.9	\$381.4
Book Value Per Share	\$16.34	\$40.14	\$53.77	\$84.42	\$27.18	\$45.89
Net Current Assets Per Share ¹	\$7.00	\$2.34	\$11.49	\$15.72		\$9.21
Cash Assets Per Share	\$5.79	\$9.58	\$10.45	\$49.41	\$15.00	\$18.08
Current Ratio	1.9	2.2	2.6	2.1	2.0	2.4
Inventories as Percent of Sales	13.9%	13.8%	18.5%	14.3%	18.6%	14.9%
Inventories as Percent of Current Assets	43.7%	49.9%	52.3%	29.4%	40.0%	39.7%
Total Surplus	\$12.1	\$54.9	\$227.5	\$476.7	\$18.1	\$155.1

¹—After deducting prior obligations.

sales volume reasonably well when the large companies that depended on railroad and structural steels for large volume were seriously affected by reduced demand. With the construction of modern mills and the vast strides taken by the major companies in technological research, it seems quite possible that the specialty producers may feel keen competition from U. S. Steel, Bethlehem, Jones & Laughlin, Republic and others in the scramble for orders. The big companies probably are better diversified in their operations.

Potential Output Greatly Expanded

Another factor that must be weighed in studying steel prospects is the extensive expansion of production. Capacity was raised significantly last year to 108,588,000 tons of ingots and steel for castings. Steel companies spent an estimated \$1,041 million last year for new equipment and construction. A new high record for similar facilities is anticipated this year, when it is estimated expenditures may reach \$1,300 million. Such a total would bring expenditures on steel construction since 1946 to \$4,734

million. Capacity is expected to be boosted sharply this year and next. Industry authorities foresee a rise in productive facilities by the end of next year to about 120 million tons of ingots. As expansion tapers in the steel industry, that much more production will become available for other industries. Hence, the anxiety over excessive productive capacity some time next year.

Much of the industry's enlargement has been authorized under certificates of necessity permitting rapid amortization of the cost of construction. Thus depreciation charges applicable to new properties promise to rise sharply in the next few years—which means that although these arrangements save on taxes for the time being they also reduce earnings. Managements thus are faced with the prospect of rising labor costs and reduced consumer demand at a time when earnings are being penalized by heavy depreciation charges and the need for financing construction is urgent. An advance in wages without compensatory price increases would threaten a squeeze on pre-tax profits and would seem to imperil dividend rates upon which managements hope to rely to encourage reinvestment of capital for expansion.

Leading Steel Companies

Jones & Laughlin	National Steel	Republic Steel	U. S. Steel	Wheeling Steel	Youngstown Sheet & Tube
\$115.1	\$40.0	\$141.2	\$54.8	\$50.9	\$52.0
\$29.3		\$28.2	\$360.2	\$36.3	
6,201	7,347	5,896	26,109	1,423	3,350
\$206.4	\$113.2	\$305.3	\$1,285.4	\$123.7	\$157.1
12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
\$564.3	\$618.4	\$1,060.3	\$3,509.6	\$227.0	\$483.7
\$33.6	\$21.9	\$24.8	\$164.6	\$6.7	\$13.7
\$56.5	\$95.0	\$117.5	\$398.0	\$33.6	\$38.6
\$90.2	\$141.9	\$175.6	\$580.0	\$52.3	\$71.6
\$2.7	\$1.2	\$2.7	\$1.9	\$1.6	\$1.5
\$1.4		\$1.6	\$25.2	\$1.7	
\$29.5	\$45.2	\$53.2	\$159.1	\$15.6	\$30.6
15.5%	22.3%	15.9%	16.1%	22.2%	13.6%
5.4%	7.3%	5.1%	5.2%	7.6%	6.3%
8.9%	14.3%	13.0%	8.7%	12.2%	10.4%
22	43	39	38	35	44
4.6	7.0	4.3	6.2	3.2	4.8
12/31/51	12/31/51	12/31/51	12/31/51	12/31/51	12/31/51
\$99.5	\$129.5	\$88.6	\$560.1	\$31.9	\$147.6
\$80.0	\$54.5	\$120.8	\$399.8	\$50.0	\$67.5
\$40.2	\$39.5	\$65.3	\$252.7	\$13.8	\$45.4
\$219.5	\$223.6	\$274.7	\$1,212.7	\$96.0	\$260.6
\$125.9	\$64.8	\$110.4	\$877.8	\$17.2	\$83.3
\$93.6	\$158.8	\$164.3	\$334.9	\$78.8	\$177.3
\$364.3	\$202.7	\$335.8	\$1,571.3	\$14.2	\$148.7
\$592.0	\$452.8	\$691.6	\$3,140.6	\$92.3	\$439.0
\$51.40	\$43.47	\$69.84	\$70.77	\$64.31	\$87.72
	\$16.17				\$37.39
\$16.04	\$17.62	\$15.02	\$21.45	\$22.41	\$44.06
1.7	3.4	2.5	1.3	5.5	3.1
14.2%	8.8%	11.4%	11.3%	22.0%	13.9%
36.4%	24.3%	44.0%	32.7%	52.1%	26.0%
\$256.7	\$241.3	\$257.4	\$865.3	\$68.9	\$188.7

averaging about \$5 a ton of ingot capacity would enable well managed companies to maintain earning power after granting a 10 per cent boost. The large integrated companies supplying their own coal, iron ore, limestone and other materials would be expected to raise wages of employees in related industries, so that raw materials costs would rise correspondingly.

Earnings Margin to be Narrowed

If costs should be raised the equivalent of \$7 to \$10 a ton and if only part of the advance could be recouped in higher prices, the net result would be narrower margins and lower earnings—even after allowing for a reduction to tax liabilities. How such a pattern would likely affect individual companies may be observed from the calculations presented here showing net income of representative companies in relation to capacity. On basis of ingot rating at the beginning of last year, net profit of United States Steel for 1951 was equal to \$5.43 a ton, for Bethlehem it was equal to \$6.66 a ton, for Republic \$6.32 a ton, for Jones & Laughlin \$6.39 a ton, for National Steel \$9.53 a ton, for Youngstown Sheet \$7.21, for Armco \$8.08 and for Inland Steel \$9.17 a ton.

Ordinarily in these industry surveys, much attention is devoted to a discussion of individual companies. Because of the importance of analyzing fundamental factors at considerable length, it has seemed advisable to dispense with detailed comments on industry representatives. Forecasts of earnings and dividend policies are difficult at best while the wage question remains unsettled. Pertinent statistical data may be found in the accompanying tabulation.

Generalizations on industry prospects seem in order which may be helpful in determining the probable attractiveness of steel stocks. In the first place, there is little doubt that 1952 results, on the average, will fall short of last year's showing. Wages admittedly will be higher and principal raw materials costs are almost certain to rise. Disruptions in operations in the current quarter have added to costs. Hence, it is a foregone conclusion that earnings in the first half will prove disappointing.

Assuming settlement of current problems and a stepup in armament production, volume of output may rise sufficiently in the second half to bring about an improvement. Gains in operating efficiency from new facilities are anticipated. In this connection, however, accelerated amortization of construction costs will mean greatly enlarged depreciation charges. Although this arrangement permits savings on current corporate taxes, thereby tending to strengthen the cash position, nevertheless earnings will be reduced as a consequence. This handicap on earnings will be more noticeable next year.

Leading steel companies (Please turn to page 284)

In appraising the outlook for steel producers, it would be logical to assume that higher labor costs can hardly rise by less than the industry's last minute proposal to avert a strike—a general wage increase of 12½ cents an hour in addition to fringe benefits. This package proposal would cost the industry on the average more than 20 cents an hour for each worker. Management contended that the full recommendations of the Wage Stabilization Board, when in effect, would mean a rise in costs of 30 cents an hour. After allowing for costs of materials to reflect similar wage hikes for other industries, the industry asserted that costs of the proposal by the government agency would approximate 60 cents an hour, or the equivalent of \$12 a ton.

Labor Costs Likely to Rise by 10%

Independent economists have estimated that the industry's labor costs may rise a minimum of about 10 per cent this year. This is slightly less than the government's recommendation of a total approximating 13 per cent. It is contended that a price rise

FOR PROFIT AND INCOME



Summer Seasonal

Next to "the traditional year-end rise", Wall Streeters look forward most hopefully to "the traditional summer rise". Since the summer period is a much longer one than the few weeks of late December and early January which constitute the year-end period, and since the market over a period of years spends more time going up or holding its own than in declining, the mathematical odds necessarily are stacked in favor of some degree or rise or rally within some portion of the summer. The summer seasonal tendency is most usually measured by comparing the July or August highs of the Dow industrial average with the closing May level. So figured, there has been a rise or rally in 46 out of the last 55 years, which covers the whole history of the Dow average. It has averaged a little under 9.5%, varying widely, of course. The conditions are most favorable in a dynamic bull market, which we do not have; or in a bear market wherein there has been a sufficiently broad and concentrated phase of decline to set up a technical springboard for a sharp rally: a condition also not present so far in 1952. Unless the market goes materially lower within nearby weeks, therefore, the summer potential will be nothing to get excited about.

Pattern

There is no strong seasonal pattern for any of the summer months

individually, on the basis of full-month net change in the industrial average. For instance, over the last 35 years there was a June net gain in 17 years, declines in 9 years, insignificant change in 9 years. For July, there were net gains in 16 years, declines in 9, unimportant change in 10. For August, the record is gains in 17 years, declines in 9, insignificant change in 9. Taking into account this record, plus the absence of either a dynamically bullish or bearish economic-financial environment in the present instance, the odds would seem to be against a major market break in any of these summer months, the chances for more than a comparatively moderate upturn dubious.

Credit

The end of installment-credit curbs, via suspension of the Reserve Board Regulation W, may slightly stimulate demand for

some items largely sold on time, such as new and used cars, appliances, etc. But the difference that it can make in the general business picture is unlikely to be visible to the naked eye. On the one hand, demand for consumers' hard goods has passed its cyclical peak, regardless of credit terms. On the other hand, regardless of what they *could* do without Regulation W, the installment-finance companies and banks are not going to relax terms beyond prudent bounds. The leading finance companies are Commercial Credit and CIT Financial. Their earnings are trending downward; and probably will continue so for an extended time well beyond 1952. Present generous dividends probably will continue at least through this year, and current yields are still relatively high. However, after further recent advance, installment-finance stocks are in historically high ground and amply priced.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Commonwealth Edison	Mar. 31 Quar.	\$.77	\$.67
General Railway Signal Co.	Mar. 31 Quar.	.94	.65
Clark Equipment Co.	Mar. 31 Quar.	2.50	2.11
Phillips Petroleum	Mar. 31 Quar.	1.37	1.26
Shattuck (Frank G.) Co.	Mar. 31 Quar.	.18	.11
Atlantic Coast Line R.R.	Mar. 31 Quar.	5.90	3.53
Illinois Central R.R.	Mar. 31 Quar.	3.27	2.68
Standard Oil of N. J.	Mar. 31 Quar.	2.18	1.95
Stone & Webster	Mar. 31 Quar.	.72	.51
Seaboard Air Line R.R.	Mar. 31 Quar.	4.41	3.01

Holders interested mainly in capital appreciation, via cyclical swings in these stocks, should take profits.

Building

A considerably larger number of homes will be built this year than had been expected a few months ago; and all signs indicate an early easing of mortgage credit terms as regards down payments. However, the broad picture is much the same as that in consumers' durables generally. The cyclical peak in residential construction was reached in 1950. In most areas the supply of homes and apartments is at least in balance with demand; and rental concessions are becoming more general. Moreover, the rate of family formation, which has a decisive bearing on the basic need for new dwelling units, has been declining for some time. A few premier building stocks, such as Johns-Manville and U. S. Gypsum, will no doubt continue to reflect supporting demand by institutional buyers who, unlike the typical investor, steadily employ incoming funds on a dollar-averaging basis and are more or less indifferent to cyclical prospects. A basis for any important rise in medium-grade and speculative building stocks is not apparent.

Food Chains

At lower levels than now obtain, possibilities for improvement in food-chain stocks were cited on these pages some time ago. Most such issues have now risen materially above their lows. A lower court decision, holding the Capehart amendment applicable to distributors' pricing, is prodding OPS toward price relief on meats, long badly needed by the store chains. Earnings are subject to improvement over recent low interim levels, and in some instances may moderately better last year's results. However, the basic outlook is far from dynamic. The field is increasingly competitive. That, plus the consumer price resistance evident in every branch of retailing, puts a check on margins and profits even if there were no OPS. At present market levels, chances for capital gains in these stocks are not too impressive. Some of the best, such as First National, A & P, Kroger and Jewel Tea qualify as income stocks, offering fairly good, but not exceptional, yields.

Bowling

Two companies with a stake in the popular sport of bowling are Brunswick-Balke-Collender and American Machine & Foundry. The former manufactures bowling alleys and supplies therefor, billiard tables, etc. The latter is mainly a manufacturer of machinery used by cigarette and cigar makers, but has developed a practical pinspotter machine for bowling alleys which promises to have considerable eventual importance as an income producer. Both companies should benefit to some extent from the ending of the Federal ban on recreational building, under which the number of bowling alleys has been frozen for some time. However, defense work is the main reason why both should have higher earnings this year than last. Brunswick netted \$2.37 in 1951, against around \$5 in such past good years as 1950, 1948 and 1940. Dividends are on a \$1 annual basis. The stock is around 19 in a postwar range of 40-15¼. American Machine & Foundry earned \$2.28 last year, the best in many years, comparing with \$1.50 in 1950; and figures to do even better this year. It has paid some dividends each year since 1927. The present rate, maintained for some years, is 80 cents annually; but recent stock dividends at the rate of 2½% a year are likely to continue. This stock is around 18 in a postwar range of 45¼-11½. Although this longer-term range suggests that the stock is more volatile than Brunswick, the latter is actually the more volatile of the two in medium-term fluctuation. Both are speculative.

Depressed Stocks

In line with business conditions, consumer-goods stocks have declined more from their earlier

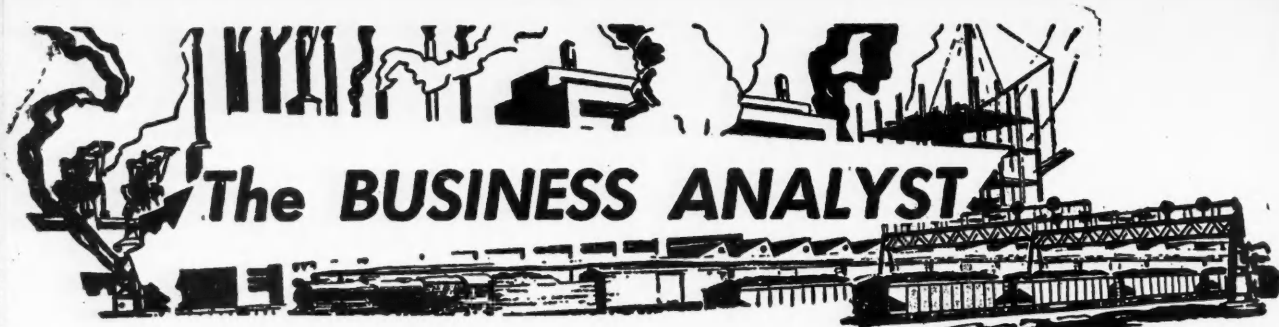
highs than have capital-goods issues. On the basis of prewar average levels, they are in much less advanced ground than are capital-goods stocks. Capital-goods activity is at a record level; but faces a downward cycle in no great time. Activity in consumer goods is subject to some interim improvement; and will, as usual, hold up better than that of heavy industries when the going for the general economy gets rough. There should be possibilities for a good recovery within the medium-term—say two to four months—in selected soft-goods stocks.

Possibility

Lowenstein is an efficient maker of textiles, with about 90% of sales in cotton goods. Volume exceeds \$140 million a year, assets exceed \$75 million. The stock has been publicly listed only since 1946. Through plowback of undistributed profits, its book value has risen from \$10.94 a share to \$42.23 since the end of 1945. Earnings last year fell to \$4.05 a share, from 1950's \$6.50 and from record net above \$10 a share in 1947 and 1948. First-quarter dollar sales were less than 7% under the high year-earlier level, an excellent comparative showing in the textile trade these days. Earnings of \$1.10 a share were well under the year-ago level, but compared with 56 cents in the 1951 fourth quarter, \$1.03 in the third and 42 cents in the second. They reflect a recovery trend on a quarterly basis. Given the expected general revival in textiles, 1952 net could readily surpass 1951's \$4.05 a share. Dividends are on a \$2 annual basis. The stock is around 28 in a 1951-1952 range of 39-24½.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Bigelow-Sanford Carpet Co.	Mar. 31 Quar.	\$.15	\$.85
Carpenter Steel	Mar. 31 Quar.	1.85	2.95
Marshall Field & Co.	Mar. 31 Quar.	.08	.61
Pabco Products	Mar. 31 Quar.	.09	.50
Sharon Steel Corp.	Mar. 31 Quar.	1.25	2.73
Western Auto Supply	Mar. 31 Quar.	.26	1.77
Allegheny Ludlum Steel	Mar. 31 Quar.	.84	1.66
Burlington Mills	6 mos. Mar. 29	.49	1.40
Certain-teed Products	Mar. 31 Quar.	.37	.75
Newport Industries	Mar. 31 Quar.	.42	.94



The BUSINESS ANALYST

What's Ahead for Business?

By E. K. A.

Most depressed sector of the lagging soft goods industries, textiles, may add a little cheer to the business picture in the next few weeks. After the disappointing report of American

Viscose, Celanese Corp. reported a deficit on its common shares for the most recent quarter. All series of Celanese stocks on the New York Stock Exchange responded by dropping to new lows, but the common rebounded very quickly, and the preferred steadied.

This is the sort of thing which often provides a climax for such a move as the textiles have been suffering—a signal that the worst news is out. Last week-end Worth Street reported a turn-about from the decline of cotton gray goods selling, with some 18 million to 22 million yards of print cloths and broadcloths moving to converters. Celanese itself announced that three plants making acetate flake, the material which is digested and extruded in fibers to make acetate yarn, will go back into operation.

In related fields, wool prices rebounded slightly in the Australian auctions, and both weavers and garment cutters hoped that wavering merchants would conclude from that circumstance that bottom had been touched in cloth prices likewise, and begin stocking up for fall and winter. Summer Street advanced prices of good American and imported wools a little. Leather buying got a spur from the popular-priced shoe show in New York, with footage of side leather rising past the 50 million mark, a good two

months' business. Hides went up to 18 cents from their recent 13½-cent low.

These occurrences are listed for their possible value as omens of better feeling and not as harbingers of good times for the industries concerned. Print cloths are still selling about where they did four years ago, when wages and raw cotton costs were much lower. The synthetic textile industry is certainly better off operating at 60% of capacity than at 30%, but that is still not a profitable level. Turning hides into leather, at today's prices for both, all the tannery operator gets is practice—profit is out of the question.

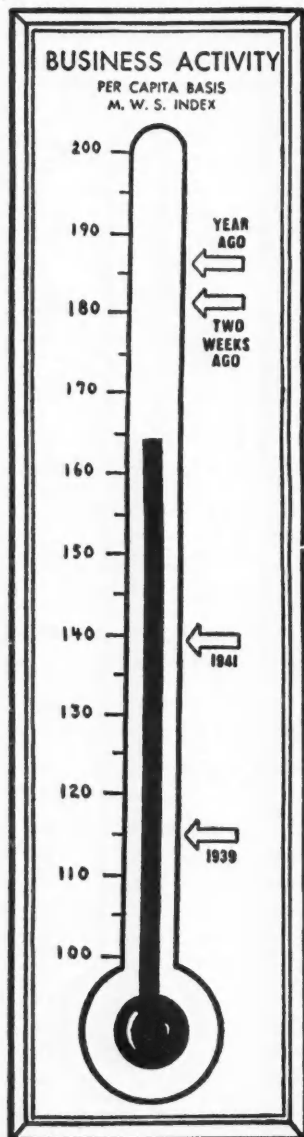
Thus the benefit, if any, of the better sentiment in soft goods will accrue in the psychology of the consumer. In the last issue we remarked upon the divergence of sentiment and actuality. Since then the Department of Commerce has confirmed the rise of gross national product to a new level for first-quarter 1952. With prices stationary, if that, the increase was in physical production.

In the more important durable goods field, it is a little harder to find grounds for optimism. Perhaps it is merely too soon to assess the impact of the end of Regulation W, but layoffs continue in the plants of makers of refrigerators and household appliances, right at the season when retailers' and wholesalers' stocks of these devices should be filling out for the hot weather selling season. Manufacturers' indifference to the steel threat betrays a reluctance to buy materials very far ahead, which is confirmed by the softening of metals markets and the National Production Authority's lowering of the bars on all kinds of construction projects.

When the happy holders of permits to buy construction steel go into the market, they will probably find their suppliers limited to smaller high-cost companies, because shapes and plates are still not plentiful even for defense uses, and if current experiments in forging artillery shells from bars come into wider use, they will be scarcer.

Housing starts were reported up 16% in April from March, and 12% from April to April. This figure is still distorted by the rush to get public housing starts under way early. Actual housing demand is still below last year's. If the next step in decontrol is to rescind the absurd requirement of a 50% down payment on high-priced houses, demand might rise a little.

In the round, what's ahead for business is more of the formless dread which keeps high incomes from being reflected in correspondingly high demand. We are prosperous—in today's anemic dollars—but we feel poor. The political campaigns, which are starting out as far as the Administration is concerned on a peculiarly base plane, will do little to remedy that feeling. It is questionable if further government steps toward reviving a sense of urgency in purchasers will not do more harm than good; it was certainly so in the 'thirties, when every public dollar pump-priming drove two private dollars into hiding.



The Business Analyst

HIGHLIGHTS

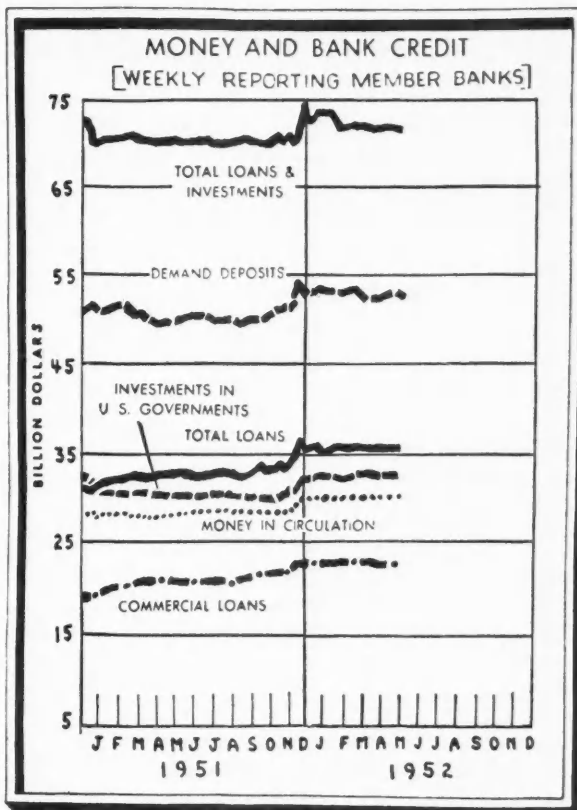
MONEY AND CREDIT—The Treasury's current offering of non-marketable 2½'s still has the financial community shaking its head in bewilderment. If all eligible 2½'s are converted into the new bonds there will be \$25 billion of these non-marketable outstanding. It is true the concomitant reduction in marketable issues would make the market for Treasuries a lot easier to handle. This may be the thought behind the move. The offering does not disturb the 2½% pattern for marketable long-terms, a rate which Secretary Snyder refuses to abandon. The Treasury may thus be preparing for a long-term new money issue at a low interest rate.

Several drawbacks to the current offering are apparent. Most important, it creates a large issue which can be converted into marketable five-year notes. Such conversions would aggravate the problem of the burdensome short-term debt. The current financing highlights the Treasury's unwillingness to accept the idea of a free bond market where rates are set by supply and demand. As to the success of the March 1951 accord between the Federal Reserve and the Treasury, it may be noted that the Federal Reserve banks held \$22.3 billion of government securities on May 14 of this year against \$22.4 billion a year earlier. This is a much better record than in the year ending March 1951 when the central banks added \$5.1 billion of governments to their portfolio. The current showing indicates the apparent success of the Federal Reserve's determination to discontinue supporting the bond market.

New issues of tax exempt bonds have been heavy in the past several weeks. Despite a general firming of bond prices, tax exempts have not been moving too well and the "Blue List" of municipals advertised for sale stood at \$248.1 million on May 19 against \$188 million on May 1. Dealers with this heavy inventory face reluctant buyers who fear that a trend toward lower taxes and heavier municipal financing will depress this type of security.

The nation's money supply contracted somewhat further in the four weeks ending March 26, with a \$400 million decline to \$182.9 billion. Demand deposits fell by \$900 million while currency and time deposits rose by \$500 million. The shrinkage in the money supply was much smaller than for the corresponding period of last year. As a result the money supply on March 26, 1952 was \$10.4 billion above that of a year earlier. On February 27, 1952 it had been \$8.9 billion above the level of the end of February 1951. Although the gold stock and bank credit outstanding showed a combined rise of \$1.0 billion in the four weeks ending March 26, 1952 this was more than offset by the drain of tax payments which was reflected in a \$1.2 billion increase in U. S. government deposits. Bank capital accounts also rose by \$200 million.

TRADE—Retail dollar volume of sales for the week ending Wednesday, May 14 was about even with a year ago as the suspension of consumer credit controls gave some impetus to buying of appliances, home furnishings and other consumer durables. New car sales also rose moderately. However, buyers continued to exercise restraint. Department store sales in the week ending May 10 were 6% above the corresponding week of last year. The best showing was in the Atlanta district with a 27% year-to-year gain. Poorest results were in the New York area with a 3% decline from a year ago.



INDUSTRY—The MWS Index of Business Activity fell to 164.4 for the week ending May 10 from 178.0 a week before and 179.4 a month ago. This decline is the result of the strike of petroleum workers, the tail affects of the steel walk-outs as reflected by moving averages which lag behind actual results, a down-turn in output of coal, smaller lumber shipments and fewer freight car loadings. The current recovery in steel production and improvement in the petroleum situation point to a quick rebound in our index.

COMMODITIES—Commodity prices displayed stability during the past two weeks. The Bureau of Labor Statistics index of primary markets showed some improvement closing at 111.6 on May 13 compared with 111.2 on April 29. The advance was confined to farm products and foods with the index of all other commodities slightly lower. The MWS Index of 14 raw materials reached a new low for the year on May 16 as the result of the continued decline in the price of lead which lost 11.8% during the latest week to close at 15 cents a pound. Small declines were also registered for cotton, silk and wool-tops while other staples in the index were either unchanged or slightly higher.

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre- Pearl Harbor*
PRESENT POSITION AND OUTLOOK					
<i>(Continued from page 279)</i>					
MILITARY EXPENDITURES—\$b (e)					
Cumulative from mid-1940	Apr.	4.0	3.7	2.2	1.55
	Apr.	452.3	448.3	411.6	13.8
FEDERAL GROSS DEBT—\$b					
	May 14	258.6	258.1	254.5	56.2
MONEY SUPPLY—\$b					
Demand Deposits—94 Centers	May 7	51.9	52.3	49.7	26.1
Currency in Circulation	May 14	28.5	28.5	27.3	10.7
BANK DEBITS					
New York City—\$b	May 7	12.5	12.4	9.9	4.26
93 Other Centers—\$b	May 17	15.3	15.9	14.4	7.60
PERSONAL INCOMES—\$b (cd2)					
Salaries and Wages	Mar.	257.8	258.3	245.5	102
Proprietors' Incomes	Mar.	174	174	162	66
Interest and Dividends	Mar.	47	49	48	23
Transfer Payments	Mar.	21	20	20	10
	Mar.	13	13	12	3
	Mar.	20	20	20	10
(INCOME FROM AGRICULTURE)					
POPULATION—m (e) (cb)					
Non-Institutional, Age 14 & Over	Mar.	156.2	156.0	153.5	133.8
Civilian Labor Force	Mar.	109.3	109.3	109.0	101.8
unemployed	Mar.	61.5	61.8	62.3	55.6
Employed	Mar.	1.8	2.1	2.1	3.8
In Agriculture	Mar.	59.7	59.8	60.2	51.8
Non-Farm	Mar.	6.0	6.1	6.4	8.0
At Work	Mar.	53.7	53.7	53.8	43.8
Weekly Hours, non-farm	Mar.	57.5	57.6	57.9	43.2
Man-Hours Weekly—b	Mar.	41.6	41.9	41.9	42.0
	Mar.	2.39	2.41	2.43	1.82
EMPLOYEES, Non-Farm—m (lb)					
Government	Feb.	45.8	45.9	45.4	37.5
Factory	Feb.	6.5	6.5	6.1	4.8
Weekly Hours	Feb.	12.8	12.8	13.2	11.7
Hourly Wage (cents)	Feb.	40.8	40.9	40.9	40.4
Weekly Wage (\$)	Feb.	163.8	164.0	156.1	77.3
	Feb.	66.83	67.08	63.84	21.33
PRICES—Wholesale (lb2)					
Retail (cd)	May 13	111.6	111.5	115.9	92.5
	Feb.	209.0	210.9	204.9	116.2
COST OF LIVING (lb3)					
Food	Mar.	188.0	187.9	184.5	100.2
Clothing	Mar.	227.6	227.5	226.2	113.1
Rent	Mar.	203.5	204.3	203.1	113.8
	Mar.	140.5	140.2	134.7	107.8
RETAIL TRADE—\$b**					
Retail Store Sales (cd)	Mar.	12.4	12.9	12.6	4.7
Durable Goods	Mar.	4.1	4.4	4.6	1.1
Non-Durable Goods	Mar.	8.3	8.5	8.0	3.6
Dep't Store Sales (mrh)	Mar.	0.79	0.80	0.79	0.34
Retail Sales Credit, End Mo. (rb2)	Mar.	10.9	11.1	11.3	5.5
MANUFACTURERS'					
New Orders—\$b (cd) Total	Mar.	22.9	22.2	28.5	14.6
Durable Goods	Mar.	11.2	11.0	15.5	7.1
Non-Durable Goods	Mar.	11.6	11.2	12.9	7.5
Shipments—\$b (cd)—Total**	Mar.	23.2	22.1	23.7	8.3
Durable Goods	Mar.	11.5	10.8	11.5	4.1
Non-Durable Goods	Mar.	11.4	12.2	12.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—\$b (cd)	Mar.	69.9	69.9	65.2	28.6
Manufacturers'	Mar.	42.3	42.2	35.6	16.4
Wholesalers'	Mar.	9.7	9.7	9.9	4.1
Retailers'	Mar.	17.8	18.0	19.7	8.1
Dept. Store Stocks (mrh)	Mar.	2.3	2.3	2.6	1.1
BUSINESS ACTIVITY—1—pc					
(M. W. S.)—1—ap	May 10	164.4	178.0	186.8	141.8
	May 10	195.7	211.9	218.0	146.5

Despite wide-spread complaints about depressed conditions in various sectors of the economy, the **NATION'S OUTPUT OF GOODS AND SERVICES** continues merrily upward. In the first quarter of this year the gross national product totalled \$339.5 billion at annual rates, a \$5.0 billion increase over the rate of the previous quarter and \$20.0 billion above that of a year ago. The seeming paradox is partly explained by the fact that most of the rise in the national product is the result of the increase in the amount of heavy goods purchased by the government. These purchases do not benefit the retailer or the manufacturer of consumer items. Personal consumption expenditures did rise by \$2.9 billion at annual rates in the past quarter, but the increase was confined to services and sales of non-durables. As a partial offset to the increase in government purchases and personal consumption expenditures, gross private domestic investment fell by \$1.2 billion in the first quarter from fourth quarter rates. The decline in this sector reflected a cessation of inventory accumulation which more than counter-balanced a 10% increase in new construction outlays and a 5% rise in spending for producers' durable equipment.

EXPORTS from the United States rose to \$1,416 million in March from \$1,330 million the month before and \$1,285 million in March 1951, the Census Bureau has announced. The export figures include shipments under the Mutual Security Program valued at \$94 million in March and \$79 million in February. The largest gains over February occurred in exports of grain, machine tools, tractors, agricultural machinery, autos and steel products. Exports of raw cotton were lower. **IMPORTS** into this country during March were valued at \$963 million, up from \$892 million in February. There were increased imports of tin, copper, chrome, sugar, wheat, cocoa beans, rubber, petroleum and diamonds. Imports of coffee and burlap declined. The balance of trade was in our favor to the extent of \$453 million in March compared with \$438 million in February and only \$185 million in March 1951.

Manufacturers of **RAYON ACETATE** shipped 79,100,000 pounds of their product to consumers in April, a 4½% increase over March shipments, Textile Organon has reported. Shipments remained substantially below the 107,000,000 pounds delivered in March 1951. During the month of April production was again cut back and output was the lowest since July, 1949. The cut in output and higher shipments resulted in a drop

and Trends

PRESENT POSITION AND OUTLOOK

in manufacturers' stocks from 119,700,000 pounds at the end of March to 117,500,000 pounds on April 30. The slight decline in inventories has some producers of synthetics throwing their hats in the air and proclaiming the end of the recession in their industry. To those who remember that stocks a year ago were only 13,700,000 pounds, the celebration may seem a bit premature.

BUSINESS FAILURES in April numbered 780, the heaviest toll of the past twenty months, and 13% above the level of April 1951. **LIABILITIES** of failing firms totalled \$29.5 million, 73% above last year's April total, according to data of Dun & Bradstreet. A large part of the month's rise in failures occurred in manufacturing industries. Wholesalers of lumber and building materials and retailers of furniture also showed an increased number of casualties. Six of the nation's nine major geographic regions reported an increase in the number of failures.

March **SHIPMENTS OF FABRICATED STRUCTURAL STEEL** amounted to 271,085 tons, an increase of 10% from February results. **NEW ORDERS** received during the month were below deliveries and this resulted in a drop in the **BACKLOG** of orders to 2,500,946 tons on March 31, from 2,602,386 tons a month earlier.

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**					
Mining	Mar.	220	222	222	174
Durable Goods Mfr.	Mar.	164	167	158	133
Non-Durable Goods Mfr.	Mar.	282	283	277	220
	Mar.	188	190	199	151
CARLOADINGS—t—Total					
Misc. Freight	May 10	720	745	808	833
Mdse. L. C. L.	May 10	357	366	397	379
Grain	May 10	72	73	77	156
	May 10	41	42	45	43
ELEC. POWER Output (Kw.H.) m					
	May 10	7,030	6,949	6,567	3,267
SOFT COAL, Prod. (st) m					
Cumulative from Jan. 1	May 10	18.0	8.6	9.6	10.8
Stocks, End Mo.	May 10	184.9	176.8	196.1	44.6
	Mar.	77.3	76.5	71.4	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Apr. 26	6.4	6.4	6.2	4.1
Gasoline Stocks	Apr. 26	155	157	146	86
Fuel Oil Stocks	Apr. 26	39	37	37	94
Heating Oil Stocks	Apr. 26	51	00	49	55
LUMBER, Prod.—(bd. ft.) m					
Stocks, End Mo. (bd. ft.) b	May 10	473	519	634	632
	Mar.	8.2	8.2	6.3	12.6
STEEL INGOT PROD. (st) m					
Cumulative from Jan. 1	Apr.	8.0	9.4	8.8	7.0
	Apr.	35.2	27.2	34.5	74.7
ENGINEERING CONSTRUCTION AWARDS—\$m (en)					
Cumulative from Jan. 1	May 15	285	315	152	94
	May 15	5,096	4,812	5,705	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	May 10	204	257	204	165
Cigarettes, Domestic Sales—b	Mar.	30	29	30	17
Do., Cigars—m	Mar.	478	447	455	543
Do., Manufactured Tobacco (lbs.)m	Mar.	17	18	18	28

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cd1b—Commerce Dept. (1935-9-100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9-100). lb—Labor Bureau. lb2—Labor Bureau (1947-9-100). lb3—Labor Bureau (1935-9-100). It—Long tons. m—Millions. mpt—As mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of	1952 Indexes		1952	1952	1952		1952
Issues (1925 Cl.—100)	High	Low	May 9	May 16	High	Low	May 9
330 COMBINED AVERAGE	199.5	190.9	193.0	191.0	125.1	119.2	121.1
4 Agricultural Implements	295.8	270.6	273.6	273.6	241.5	226.9	228.8
10 Aircraft ('27 Cl.—100)	316.7	278.2	287.1	284.2			
7 Air Lines ('34 Cl.—100)	777.8	616.9R	624.8R	632.7			
8 Amusements	102.7	89.7	91.6	89.7Z			
10 Automobile Accessories	244.0	232.0	236.8	236.8			
11 Automobiles	42.2	40.2	41.4	41.0			
3 Baking ('26 Cl.—100)	22.0	20.8	21.2	21.0			
3 Business Machines	398.3	370.4	374.4	370.4Z			
2 Bus Lines ('26 Cl.—100)	157.4	141.6	153.6	150.6			
6 Chemicals	418.0	356.4	364.5	364.5			
3 Coal Mining	16.0	14.2	14.5	14.2			
4 Communications	68.3	62.3	53.6	62.3Z			
9 Construction	72.3	67.5	69.6	69.6			
7 Containers	490.6	442.8	442.8	442.8			
9 Copper & Brass	169.5	138.8	143.6	142.0			
2 Dairy Products	85.7	83.2	84.8	84.0			
5 Department Stores	66.0	60.1	61.4	60.1Z			
6 Drugs & Toilet Articles	233.1	212.7	215.0	215.0			
2 Finance Companies	362.7	308.1	362.7	359.6			
7 Food Brands	178.7	171.5	175.0	173.3			
2 Food Stores	103.8	97.4	60.6	59.9			
3 Furnishings	63.1	59.3	60.6	59.9			
4 Gold Mining	736.4	648.3	698.6	698.6			
5 Investment Trusts	105.8	97.9	103.9	102.9			
3 Liquor ('27 Cl.—100)	1146.9	921.7	944.2	921.7Z			
11 Machinery	216.6	197.9	202.1	197.9			
3 Mail Order	130.6	116.4	117.7	116.4Z			
3 Meat Packing	100.2	88.4	89.3	88.4Z			
13 Metals, Miscellaneous	307.4	249.4	252.3	249.4Z			
4 Paper	553.7	396.7	399.4	399.4Z			
28 Petroleum	485.1	440.2	463.4	454.8			
30 Public Utilities	169.2	162.5	167.5	167.5			
9 Radio & TV ('27 Cl.—100)	34.5	31.1	33.3	32.3			
8 Railroad Equipment	64.3	59.2	59.9	59.9			
24 Railroads	45.8	41.3	45.8	44.6			
3 Realty	42.0	38.2	40.9	41.3			
3 Shipbuilding	191.8	181.0	190.9	188.1			
3 Soft Drinks	330.5	301.2	310.7	310.7			
14 Steel & Iron	154.8	135.3	138.3	135.3Z			
3 Sugar	73.1	66.7	67.5	66.7Z			
2 Sulphur	616.3	535.9	546.8	535.9Z			
5 Textiles	197.4	164.1	164.1	164.1			
3 Tires & Rubber	75.3	66.9	69.0	67.6			
6 Tobacco	85.9	78.6	80.2	78.6Z			
2 Variety Stores	319.6	297.9	304.1	304.1			
18 Unclassified ('49 Cl.—100)	119.7	115.1	116.2	115.1Z			

R—Revised.

A—New High for 1952.

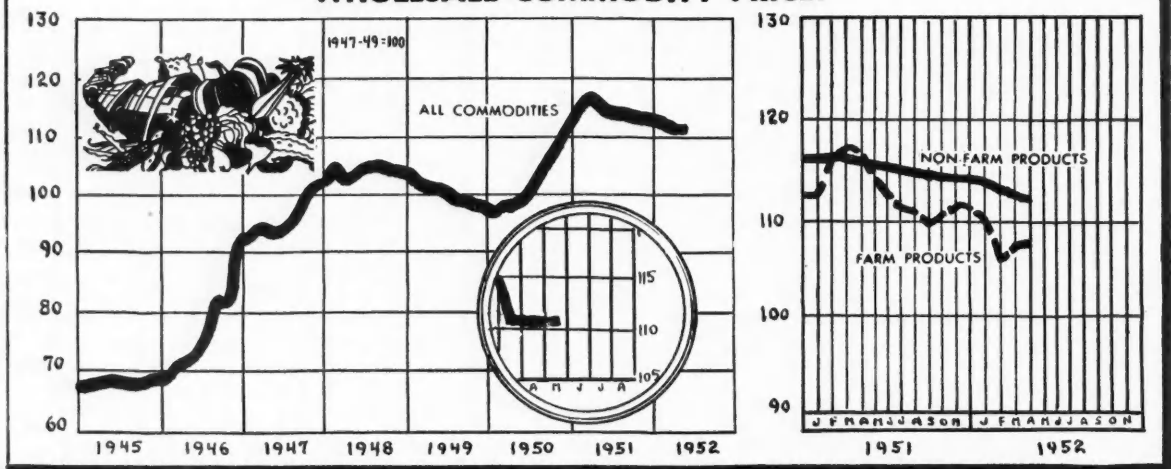
Z—New low for 1952.

Trend of Commodities

Commodity futures have been more resistant to decline since late in April when many of them reached their lows for the year to date. In the two weeks ending May 19, the Dow-Jones Commodity Futures Index gained 0.79 points to close at 176.09. Corn, lard, soybeans, cotton, cocoa, wooltops, hides, soybean oil and cottonseed oil were higher during the period while oats, coffee and rubber were lower. Wheat futures were mixed with the September option losing ½ cent in two weeks time to close at 237¼ on May 19. The official winter wheat crop estimate as of May 1 forecast a crop of 986 million bushels. If farmers plant spring wheat according to their intentions expressed in March, average yields would give a 307 million bushel crop. The total including old crop carryover and imports of 310 million bushels would give us a wheat supply of 1,603 million bushels, the largest in the country's history. With demand estimated at 1,110 million bushels this would leave a large

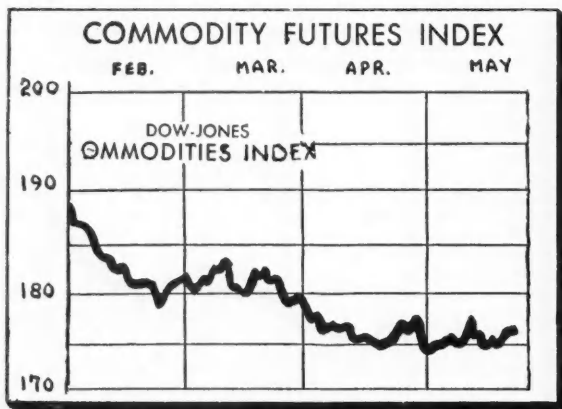
493 million bushel carry-over on June 30, 1953. Of course, a good deal of wheat would find its way into the government support program where loan rates are expected to be some 20 cents above present prices for the July option. Thus, factors exist which could cause wheat to move in either direction. October cotton futures gained ½ cent in the past fortnight to close at 36.72 cents on May 19. This gain hardly matches the optimistic statements engendered by last week's pick-up in textile orders. The more distant new crop futures are close to the probable 1952 Government cotton loan rate with carrying charges and initial loan costs added, so that good demand should develop on declines. Rubber futures have been quite weak during the past two weeks, with September option losing 4¼ cents. This reflected the weakness in foreign markets and the sharp rise in manufacturers' tire inventories as of recent time.

WHOLESALE COMMODITY PRICES



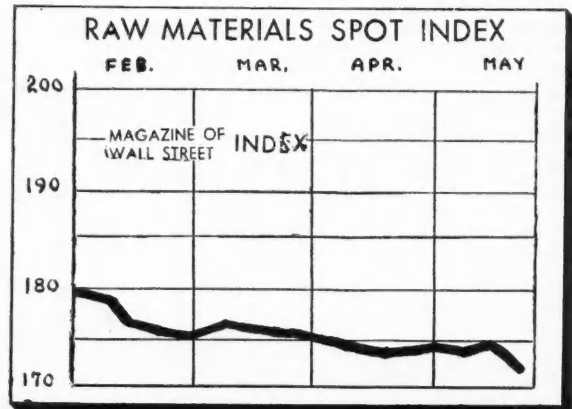
U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES Spot Market Prices—August, 1939, equals 100

	Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6		Date	2 Wks.	3 Mos.	1 Yr.	Dec. 6
	May 5	Ago	Ago	Ago	1941		May 5	Ago	Ago	Ago	1941
28 Basic Commodities	297.2	296.1	311.8	366.5	156.9	7 Domestic Agriculture	351.7	343.1	340.3	392.8	163.9
11 Imported Commodities	292.2	297.1	312.3	395.8	157.3	12 Foodstuffs	359.6	350.0	360.7	393.8	169.2
17 Domestic Commodities	300.4	295.5	311.4	348.8	156.6	16 Raw Materials	275.0	280.1	297.6	350.7	148.2



14 Raw Materials, 1923-25 Average equals 100

	Aug. 26, 1939—63.0	Dec. 6, 1941—85.0					
	1952	1951	1950	1945	1941	1939	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8
Low	173.1	174.8	134.2	83.6	58.7	61.6	57.5



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	172.8	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

American Cyanamid Co. will build a plant near New Orleans, Louisiana for the production of chemicals from natural gas. This will place Cyanamid in the vast field of basic production from hydrocarbons, a development which is expected to add a substantial number of new items to the list of more than 5,000 products already manufactured by the Company. The new plant, for which a certificate of necessity was recently issued by the Government, will represent an investment of about \$50 million. As initially projected, the plant will produce ammonia, acetylene, hydrocyanic acid and derivatives of these products, among them acrylonitrile and ammonium sulfate. These basic materials provide a foundation for eventual production of a wide range of hydrocarbons and nitrogen chemicals for industrial and agricultural uses.

A new electronic viscometer, which simplifies many difficult or heretofore impossible measurements of the viscosity of liquids, has been developed at the David Sarnoff Research Center of **Radio Corp. of America**. Viscosity—the degree to which a liquid resists changes in shape — has heretofore been a troublesome thing to measure. The new RCA device can record at any range from the low viscosity of alcohol to the high viscosity of cold molasses. It has been used in studies of human blood clotting rates which may serve to differentiate between psychotic and normal individuals. It has found useful applications in the ceramics industry. Many other uses are anticipated for the apparatus in the petroleum, plastics, paint, textiles, printing and other industries.

The revolutionary bombing navigational computer, manufactured by the Sperry Gyroscope Division of the **Sperry Corp.** and used by the U. S. Air Force, has been put on public display. The computer, combined with a radar unit and periscope, navigates high-speed bombers to any desired, seen or unseen target, and bombs it accurately from extremely high altitudes. Modern military requirements have outmoded the bombsights of World War II. Today it takes a computer with nearly 70,000 parts to do the necessary job. This electronic brain works out auto-then computes the exact moment when the bomb is to be released. It is designed for manufacture in quantity and for simple and largely automatic operation.

Electric power for the **Aluminum Co. of America's** new alumina plant at Bauxite, Arkansas, will be supplied by three **General Electric** 7500-kilowatt turbine-generators. Being constructed at a cost of more than \$50 million, the 200-acre installation will be used to process low-grade ore for the defense-booming aluminum industry. It will have an estimated output of 2,200,000 pounds of alumina per day when completed early this summer. The Alcoa

process of refining low-grade bauxite was developed early in World War II. It consists of a combination lime-soda-Bayer process which permits economical use of low grade ore. By use of this process the new plant will serve as a major source of alumina supply required for Alcoa's aluminum smelting plants.

The development of Systox, a revolutionary new type of insecticide, declared by entomologists to be as important in its field as was the discovery of penicillin to medicine, has been announced by the **Pittsburgh Agricultural Chemical Co.**, a division of **Pittsburgh Coke & Chemical Co.** Systox is the first true systemic insecticide ever approved for use in this country. Whether administered to the soil around the roots of a plant or sprayed on the plant itself, it is quickly distributed through roots, stems, branches, for foliage, making the entire plant or tree toxic to sucking insects for a considerably period of time. It is believed that the new insecticide's effectiveness in ridding plants of such insects as aphids and mites promises eventual savings of millions of dollars to America's farmers.

Archer-Daniels-Midland Co. has begun a major expansion and modernization program with work already started on a refinery and bodying plant at Los Angeles and a solvent extraction plant at Buffalo, New York. The Los Angeles plant, scheduled for completion by September, 1952, will produce bodied oils, chemically modified oils and products now being manufactured by other plants of the Company. This will enable ADM to give better service to its west coast customers. Four new buildings will be erected at the Buffalo site and are expected to increase the firm's production at this plant of linseed oil and linseed oil meal by 50%.

Allied Chemical & Dye Corp. has announced plans to build a plant using natural gas as a raw material to produce urea and other nitrogen fertilizer materials near La Platte, Neb., 15 miles south of Omaha. Construction of the plant is contingent upon approval by the Federal Power Commission of installation of facilities to supply natural gas to the proposed facility. If approval is granted promptly it is expected that construction of the plant, which will involve investment of approximately \$25,000,000 will get under way this summer and will be completed within 18 months to 2 years. Urea is made from ammonia and carbon dioxide, both of which will be produced at Allied's new plant from natural gas. Urea contains 46.6% nitrogen, as compared with 32.5% or less for other solid nitrogen fertilizers, and therefore means lower transportation and handling costs for the farmers. It is also used in increasing quantities as a cattle feed, and in addition is a raw material for plastics and adhesives.

se, a
ment
ome
ctors
tion.
nt to
s the
p in
se to
ying
quite
osing
and
cent

Dec. 6
1941
163.9
169.2
148.2

1937
86.6
54.6

REET

The Realities of Steel Company Prospects

(Continued from page 275)

been ploughing back substantial earnings in recent years and dividends have been held at moderate proportions of net income. On the average, less than half of earnings have been disbursed as dividends in the last few years. Accordingly, representative companies could sustain sizable declines in net income before established dividend rates would be imperiled. There is no reason, for example, why managements should not maintain usual rates even though to do so might require the distribution of two-thirds of 1952 net profit. Thus in the case of United States Steel, as an illustration, the \$3 annual rate might be maintained even though earnings should decline to \$4.50 a share from \$6.10 reported for 1951.

As mentioned earlier, some of the marginal producers might be more vulnerable to keener competition. Earnings could decline more sharply than for the industry as a whole—if demand should recede to the extent that reasonable price advances could not be adopted. Hence, dividend rates of some of the smaller companies should not be regarded as inviolate.

Approaching Recession in American Business?

(Continued from page 254)

can be wholly successful at this stage is doubtful in view of the strong determination by the public to restrict its purchases. Furthermore, the squeeze on profits and the palpable evidence that supply is outrunning demand in many directions is bound to have an eventual effect in slowing the rate of new capital expansion.

Some industries seem exempt. Thus, the utilities are still far from having satisfied their requirements. In this more favored category also are the petroleum and natural gas companies, which are still expanding their facilities at a rapid rate.

It is obvious that the inflationary impulses that existed a year ago have practically disappeared,

and that business is contending with what seems, at least temporarily, a deflationary period. It is worth while pointing out that we have had a spending government for twenty years, during most of which time the federal budget has remained out of balance. A more conservative government undoubtedly will make it the first order of business early next year to reverse this process and thus inaugurate a more orthodox method of financing its needs. Thus, except for armaments spending, the outlook is that typical artificial government measures to stimulate the economy will not be prevalent much after the turn of the year.

Future of Prices

It would seem that one of the most important factors relating to the future of business for the next few months is the probable price level. The general gravitational pull at present is in the direction of lower prices, as evidenced not only by the lower level of the primary markets but by the steady increase in the number and variety of products which are meeting sales resistance and whose prices, accordingly, are being lowered. Should this process continue much further, it is likely that the general price level of manufactured goods would also fall. This would have, as it is already having, an effect on inventory values with losses to some extent replacing the inventory profits of a year and two ago. This is potentially a factor of some importance in corporate profits.

Viewing the situation broadly, it would be premature to forecast a definite recession of marked dimensions by the end of the year. The general volume of business is still high in comparison with any post-war year except the period directly after the outbreak of the Korean war. However, it would be idle to deny that recessionary influences are multiplying.

It is all a question of perspective. If we are thinking in terms of a never-ending boom in business the present situation will cause much disappointment. But, if we are thinking in terms of the likelihood of continued normal profits, there is no reason to believe that a marked change from the worse is in prospect for the immediate future. Profits, generally speaking, are about 20-25%

below those of the first half of 1951, and should continue on a somewhat similar plateau for the balance of the year. It is sometime in 1953 that the real turning point in business is likely to occur, but this will depend largely on the nature of the next Administration and the policies it is likely to adopt.

BOOK REVIEWS

HOLD BACK THE NIGHT

By PAT FRANK

"*Hold Back the Night* in any terms is a fine novel. I read it with constant and very great pleasure. It has got the first infantry action in it that I could believe in, and the first I could give a damn about, in all the war fiction I've read since Pearl Harbor . . . It has not only got some soldiers in it that know what the score is and are interested in knowing and understanding what they're doing and don't bellyache about the cruelty of fate . . . it has got some officers who . . . are good men, even brave men, even intelligent men. We are not used to this . . . Also, this guy knows how to put a book together and make some sentences to put in it. Very heady stuff."

Lippincott

\$3.00

BLOOD, OIL AND SAND

By RAY BROCK

"Any aspersions cast on anyone are strictly intentional!" With these fighting words, Ray Brock, veteran foreign correspondent, begins a hard-hitting, up-to-the-minute book about the hottest place in the world today—the Middle East. In a fast-moving, well-written narrative that pulls no punches about any place or anybody, he tells the truth about the rapidly developing crises in Egypt, Tunisia and Iran. He warns that the seeds of World War III are sprouting in the turbulent Middle East. In no uncertain terms he tells you why and how the Middle East is crisis-ridden—and where these crises are taking us.

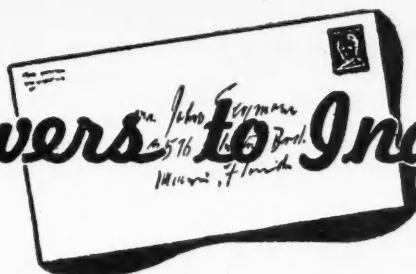
Based on 15 years of personal experience and observation as a correspondent in the Middle Eastern countries of Iran, Iraq, Turkey, Egypt, Saudi Arabia, Lebanon, Jordan, Syria, Israel and the Arabic sheikdoms, *Blood, Oil and Sand* is rich with the feel and sound of the countries themselves. It's a dynamic story that makes no bones about corruption-ridden governments or Communist infiltration or colonial policies and international unrest—all of which have created one dilemma after another for the Western powers.

It isn't a pretty picture—this grim canvas of the gigantic and seething struggle between the great powers for the fabulous oil-wealth of the Middle East. It's a story more often suppressed than revealed, but *Blood, Oil and Sand* hides nothing—neither the facts nor the author's just indignation at the way we are rapidly heading into the biggest and worst war of them all.

World

\$3.50

Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET will answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope*.
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

Pittsburgh Consolidation Coal Company

"I have read in the newspapers that Pittsburgh Consolidation Coal Company is studying a plan for the commercial operation of a pipeline system for transporting coal from mines to markets. As a subscriber to your Magazine, will you please submit recent earnings of the company and other pertinent data."

F. J., Harrisburg, Pa.

Pittsburgh Consolidation Coal Company reported consolidated net income (exclusive of profit in disposal of properties, investments, etc.) of \$16,045,000 or \$7.44 per share for the year 1951. This compares with \$16,145,000 or \$7.49 per share for 1950.

The company produced from its own mines during the year, a total of 27,079,000 tons of coal compared to 24,030,000 in 1950. Including coal sold for others, it marketed 31,170,000 tons, compared with 27,613,000 tons in the previous year. The company's production amounted to 5.06% of the national production, a new high in percentage of national output.

The year showed capital expenditures of \$8,300,000 as compared with \$9,872,000 in 1950. The major project completed in 1951 was the Georgetown Preparation Plant in Ohio. Substantial expenditures were made during 1951 for purchase and installation of mechanized mining equipment.

A demonstration-size pipeline system was erected near the Georgetown Preparation Plant and placed in operation in No-

vember. By means of this project, the company will study the problems which may be encountered in the commercial operation of a pipeline system for transporting coal from mines to markets. The average annual earnings of all the company's union employees who were on the payroll throughout 1951 amounted to \$4301 per man.

Dividends in 1951 totalled \$3.00 per share and 75 cents quarterly has been paid thus far in the current year.

Grayson-Robinson Stores Inc.

"I have been told that consumer spending has declined and this has affected operations of retailers. I would be interested in receiving recent information on Grayson-Robinson Stores Inc. and working capital position."

L. C., Worcester, Mass.

Grayson-Robinson Stores Inc., national chain of apparel stores, in 1951 registered its 13 successive annual increase in sales. Sales amounted to \$91,015,627. This was 8.94% above the previous record high volume of \$83,550,274 achieved in 1950.

The company, which this year celebrates the 20th anniversary of the founding of the business, earned \$2,668,447 before taxes and income in 1951, compared with \$2,722,159 in 1950.

Net income for 1951 after all charges and taxes was \$1,235,419. This is equal after preferred dividend requirements to \$1.60 per share on 707,980 shares of common stock outstanding on Decem-

ber 31, 1951. Net income in 1950 was \$1,475,418 or \$2.31 per share on 592,980 shares of common stock. The increase in the number of shares of common stock resulted largely from the sale to the public in April 1951, of 100,000 additional shares.

Four "Robinson" stores were added last year to the chain of women's and children's moderate priced apparel stores; in Albany, New York, Greensboro, N. C., Atlanta, Georgia, and Macon, Georgia. These additions brought to 67 the number of retail links in the chain which extends from coast to coast, in addition to the S. Klein on the Square department apparel stores in New York City and Newark, New Jersey.

Working capital on December 31, 1951 was \$10,922,273, against \$7,217,382 the year before. At the close of the year the chain comprised 67 "Grayson" and "Robinson" stores, in addition to the two large S. Klein on the Square Stores, New York City and Newark, New Jersey.

Inventories at the retail level have been substantially reduced. The company opened a new Robinson store in Waycross, Georgia on April 15, 1952 and this store will feature men's wear, linens and jewelry in addition to the company's normal lines of women's and children's apparel.

Such supplementary lines were added last year to the S. Klein Stores, and they will be added in 1952 to various "Grayson" and "Robinson" Stores.

Inventories at the retail level have been substantially reduced according to the president of the company. "Moreover, the reservoir of personal savings is unprecedentedly high; and a prospective high level of industrial production and employment reasonably assures well maintained disposable income for the foreseeable future. Taken in conjunction with the high quality and good values of apparel now being offered in various stores, these factors afford basis for optimism.

Latin America—Growing Pains—or Revolution?

(Continued from page 257)

mines. With a promptitude which should have been displayed in Bolivia as well, U. S. authorities agreed that American copper users might buy Chilean copper at the higher price, and pass on four-fifths of the excess cost to their own customers. It remains to be seen if this quick action quite disarmed the partisans of General Blasco Ibanez, who was president of Chile in the late Twenties, will gather to his banner all the forces of discontent during the elections to be held next September. Ibanez has an appeal similar to that of Peron, whom, incidentally, Ibanez admires. He would probably be another "strong man"; his election would probably strengthen pro-Peron and "anti-Yanqui" sentiments in South America.

Meanwhile the situation in Brazil is not getting any better. As was pointed out, there will be difficulties in selling cotton. Foreign exchange reserves are low and except for coffee, prospective future earnings are likely to be less than last year. The inflow of private capital stopped, and the huge developmental program for building railroads and power stations (financed by the Exim Bank and the International Bank) is also being stalled, because of the pressure on the two institutions. Everything is waiting for the solution of the problem of a U. S. investor's right to withdraw his earnings from Brazil.

A bitter struggle behind the scenes of Brazilian politics is reported to be going on between a nationalist group which wants to retain the drastic regulations imposed by President Vargas, and those who believe in concessions. A similar struggle behind the scenes is going on concerning petroleum exploitation. With the nationalists insisting that petroleum be made a state monopoly, nothing is being done about oil exploration and development, although precious foreign exchange could be saved by doing so.

The knowledge that there has been apparently a considerable infiltration of communist elements among the troops of the Brazilian Army has also added to general uncertainty about the future. General N. E. Leal, the Minister of

War and one of the leading nationalists, was so reluctant to act against communist influences in the Army that President Vargas accepted his resignation last month. It has been alleged that the leftist elements were preparing a violent overturn of the present Government which, contrary to its promises, has been able to do very little about the chronic inflation demoralizing the country.

In Guatemala, where the pernicious dispute with the United Fruit Company was finally settled only two months ago, the Government of Sr. Arbenz, which is under the thumb of radical union leaders, came out at last with an agrarian reform bill. The law would redistribute among the Indians not only all the coffee land taken from German owners during the Second World War but also *any land on private estates worked on a share-crop basis*. While some 300,000 landless families would receive land, Guatemala's coffee business, the principal foreign exchange earner, would be ruined for decades to come. There is serious talk of civil war in Guatemala if the land reform is enacted.

Cuban Election Preferred

Cuba has been quiet, though somewhat resentful following the March 10th coup of General Fulgencio Batista. The presidential elections, which were to be held on June 1, were postponed to Nov. 15, 1953. The future will depend on the economic situation, which is dominated by the sugar situation. This year's sugar harvest is the largest on record, though prices are somewhat lower. Although there is some unemployment and a good deal of distress due to the extremely high cost of living, Cuba will probably manage fairly well for the rest of this year. But if there is a heavy carry-over of sugar into 1953 and another large crop is harvested, Cuba may find herself in serious difficulties.

In addition to Chile, elections are also scheduled this year in the Dominican Republic (May 18), Ecuador (June 1), Mexico (July 6), and Venezuela (November). In the elections held in Panama last week the candidate of the government forces, Col. Remon, was expected to win.

Latin America is entering a difficult period of adjustments that

have been made doubly difficult by the post-Korean price bulge and a further encroachment of pernicious inflation. In contrast with the past, there is a new element to be counted with in most countries: the political power of labor unions. These unions are being infiltrated by communists and the disciples of Argentine Peronism. It need not be repeated that both groups are sabotaging the American good neighbor policy quite openly. For that reason, Latin America will have to be watched carefully, particularly if economic conditions continue to deteriorate.

30 Companies Having Only Common Stock Outstanding

(Continued from page 271)

expansion and development program and expended in 1951 for that purpose \$10.5 million. Property additions included the opening up of two new carbon black units and the start of construction work on two additional units which are expected to be in operation before the close of 1952. The company, at the same time, has continued the further development of its oil and gas lands in proven or potential fields in which it owns or has an interest in more than one million acres. A good financial condition was disclosed at the close of 1951. Current assets were made up in part by \$5.2 million in cash and U. S. Treasury bonds. Aside from provisions for Federal and state income taxes of \$2.3 million, current liabilities consisted of only accounts payable amounting to \$2.1 million. Net working capital was \$7.5 million.

Quarterly dividends of 62½ cents a share have been maintained since 1951 and compare with a total of \$2.10 a share paid in 1950. At the current price of 64 the yield is 3.8%.

Outlook for Automobile Companies

(Continued from page 265)

noted previously, made a remarkable showing in the first quarter of 1952, moving per share earnings up to \$2.16 from \$1.53 in the like quarter of 1951. Output of cars was 27% below the earlier

...ficult
...oulge
...nt of
...trast
...y ele-
...most
...er of
...re be-
...s and
...eron-
...that
...r the
...olicy
...ason,
...o be
...ly if
...e to

year, so that an even better show-
ing should be possible when re-
strictions on metal use are fully
rescinded. Tank production at the
Detroit arsenal of the Army has
been handed over to Chrysler for
management after a disappointing
record under Army operation, and
the big tank plant at Newark,
Del., is about ready to make some
contribution to earnings. Chrysl-
er's first-quarter improvement
came in the face of a charge of
\$7.8 million for excess profits tax;
in the entire year 1951 only \$400,-
000 in excess profits tax was in-
curred. Chrysler has no obliga-
tions ahead of the common stock,
and is not likely to disturb the
\$1.50 quarterly dividend, which
yields 8% at \$75 a share.

only
ding

)

pro-
for
Prop-
open-
black
truc-
units
an op-
1952.
time,
evel-
ds in
which
more
good
losed
t as-
\$5.2
sury
s for
es of
ities
rable
Net
llion.
62 1/2
main-
pare
paid
ce of

Studebaker Corp. is probably
the best situated of any automo-
bile company outside the Big
Three, but at best its long-range
outlook is speculative. Its earn-
ings per share for the last three
years have moved this way:
\$11.70 in 1949, \$9.55 in 1950, \$5.35
in 1951. For the first quarter of
1952, Studebaker reported earn-
ings of \$2.06 a share, a rebound
from the \$1.62 of fourth-quarter
1951, and about matching the
\$2.09 of first-quarter 1951. How-
ever, the year-to-year equality
was achieved by some moving into
the higher-priced end of the com-
pany's price range, an adjustment
of prices, and an increase in de-
liveries on defense contracts. Ac-
tual deliveries of cars and trucks
to civilian buyers dropped to 67,-
546 in first-quarter 1952 from
86,108 in the like period of 1951.
Over the long run, the tendency of
the automobile buyer to stay with
his chosen make is the principal
asset of a manufacturer, and con-
trols may have come along just at
the wrong time for Studebaker,
which had been winning an ec-
ception much greater than pre-
war's. The 75-cent quarterly divi-
dend, yielding 8% at 37 1/2 for the
stock, appears safe.

es

)

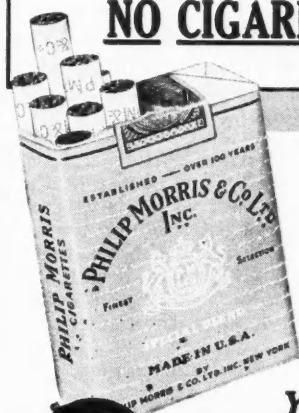
mark-
arter
earn-
n the
it of
rlier

Packard Motor Car Co. man-
aged an increase in earnings in
1951 over 1950, but the increase
was only from 34 cents a share to
38 cents. In the first quarter of
1952, sales were off \$15 million
from the like period a year ear-
lier, and net earnings were less
than half those for the correspond-
ing quarter. Packard sells cars
through an unusual setup of zone
offices over the country, and deal-
ers appeared perfectly willing to
let the company hold the inven-

(Please turn to page 288)

Smoke for Pleasure *today-* No Cigarette Hangover *tomorrow!*

Remember: PHILIP MORRIS is made
differently from any other leading
brand. And that difference is your
guarantee of everything you've ever
wanted in a cigarette... tasty mild-
ness, rich flavor, pleasant aroma... a
clean, refreshing smoke that leaves
NO CIGARETTE HANGOVER!



No wonder PHILIP MORRIS
has gained more than two million
new smokers in the past 5 years!

Try PHILIP MORRIS yourself.
Your throat will note the difference.
And that difference is delightful!

*You'll be glad tomorrow...
you smoked Philip Morris today!*



**CALL
FOR PHILIP MORRIS**



Southern California Edison Company

DIVIDENDS

ORIGINAL PREFERRED STOCK
DIVIDEND NO. 172

CUMULATIVE PREFERRED STOCK
4.32% SERIES
DIVIDEND NO. 21

The Board of Directors has authorized the payment of the following quarterly dividends:

50 cents per share on Original Preferred Stock;

27 cents per share on Cumulative Preferred Stock, 4.32% Series.

The above dividends are payable June 30, 1952, to stockholders of record June 5, 1952. Checks will be mailed from the Company's office in Los Angeles, June 30, 1952.

P. C. HALE, Treasurer

May 16, 1952

Public Service Electric and Gas Company

NEWARK, N. J.



QUARTERLY DIVIDENDS

Dividends of \$1.02 a share on the 4.08% Cumulative Preferred Stock, \$1.17½ a share on the 4.70% Cumulative Preferred Stock, 35 cents a share on the \$1.40 Dividend Preference Common Stock, and 40 cents a share on the Common Stock, have been declared for the quarter ending June 30, 1952, all payable on or before June 30, 1952 to holders of record at the close of business on June 2, 1952.

GEORGE H. BLAKE
President



UNITED CARBON COMPANY DIVIDEND NOTICE

A quarterly dividend of 62½ cents per share has been declared on the Common Stock of said Company, payable June 10, 1952, to stockholders of record at three o'clock P.M. on May 26, 1952.

C. H. McHENRY, Secretary

Outlook for Automobile Companies

(Continued from page 287)

tories which other makers push onto the dealers themselves. March sales, the company reported, were excellent, so that the excess field inventories were probably worked down. The stock has not gained in appeal in the past few years.

Hudson Motor Car Co. is another independent which was given a new lease on life by the postwar automobile famine, but it seems to have lost its momentum in 1951. Sheet steel couldn't be obtained except by the costly conversion process; cost changes thus were large, and price changes lagged far behind. Strikes occurred intermittently during the summer. Sales for the entire industry declined, and for Hudson more than most. Sales of \$186 million yielded a net deficit of \$1.1 million; 1950's record was \$267.2 million sales and \$12 million profit. Though the company's president is optimistic about 1952 results, the outlook for the stock is obscure.

Nash-Kelvinator Corp. makes both automobiles and refrigerators, as well as other household appliances, so its automobile business is difficult to sort out from its other activities. Nash's record postwar year was 1950 (fiscal year ending September 30) when it earned \$6.64 per share on sales of \$427.2 million. The 1951 figures were \$3.73 on sales of \$401.1 million. In 1951 unit sales of 177,613 passenger cars were off just 1200 vehicles from 1950's 178,827. This experience, opposite to most car makers', was a tribute to the styling of the Nash Rambler. This year, after a pause for retooling which cut half-year earnings to 36 cents from 1951's \$2.22, Nash is offering a new series of Continental design which is attracting much interest. Selling under 20 while paying 50 cents a quarter, the 10% yield would indicate some question as to ability to continue the dividend on the present basis.

Truck Companies

Companies making motor trucks and buses exclusively are small in comparison to the makers of passenger cars, who also make most of the lighter trucks. Big three among the truck companies are Mack Trucks, Inc., Reo

Motors, Inc., and White Motor Co.

As might be expected from the capital goods nature of their vehicles, all the truck companies enjoyed their best postwar years in 1947, when their customers were scrambling to replace fleets of vehicles worn out by the war's hiatus in civilian truck output. That year Mack earned \$14.2 million on sales of \$124.8 million; White \$5.4 million on sales of \$117.9 million, and Reo \$4.9 million on sales of \$57.4 million.

Mack's 1951 results were \$149.7 million in sales, highest in history, but earnings were only \$2.3 million. This operation should show some improvement in 1952. The company's military sales in 1951 were only \$2.3 million, and it had a backlog of \$100 million in military orders at the end of April, 1952.

White Motor Co. also set a sales record of \$150 million, but got home to net with only \$4.3 million. Some \$17 million was in defense work, and 1952 will see a minimum of \$34 million in military deliveries.

Reo's story was the same—record sales at \$112.7 million, net of \$2.4 million, not quite half the 1947 amount. Reo attributed its high sales to an increase in military orders, of which the year-end backlog was \$200 million. The annual report warned that margins on this business were subject to renegotiation.

Comparative Analysis of Two Great Can Companies

(Continued from page 268)

Although American Can, over the years, developed striking earning power for the common stock, the company followed a conservative dividend policy. On the basis of the amount of common stock now outstanding 1951 earnings were equal to \$2.50 a share, compared with the last five years average earnings of \$2.31 a share. In 1951, Continental earned \$4.61 a share for the common stock which compares with annual average net for the five year period equal to \$4.25 a share. Like American Can, Continental also has adhered to conservatism in paying dividends to holders of the common stock and as a result percentage yields based on current market prices of the two issues vary but little, that for American Can being 4.1% and for Continental 4.3%.

Through sound management the two companies, aided by the financing done in 1951, and that carried out only recently by American Can, have maintained strong financial positions. At the close of 1951 American Can's working capital amounted to \$93 million. Cash and marketable securities stood at \$19 million, net receivables totaled \$23 million, and net inventories, equal to 22.5% of sales, amounted to \$128.7 million. Continental's working capital at the end of 1951 was \$98 million and included \$34.3 million in cash and marketable securities, net receivables of \$52.1 million, and net inventories, equal to 19.5% of sales, were \$89.8 million. In this connection, attention is called to the detailed exhibit of statistical data pertaining to the two companies set down elsewhere.

In most instances, figures are more impressive than words. For example, the combined 1951 business of American Can and Continental Can was in excess of \$1 billion. This is an astonishing figure which, on the basis of a continuation in the uptrend recorded in recent years, should be surpassed in the future. Among the factors that should make this possible are the growing population of the country, the resultant increase in food consumption as well as other products packed in cans, paper and fibre containers, and the greater necessity for distribution with the disappearance of local food producing areas as cities and towns expand with the growth of residential and industrial areas. Another factor which should contribute to the expansion of the industry is the adoption of metal or fibre containers by manufacturers for products now packed in some other manner or not packaged at all.

Recent additions along these lines have been the adoption of tin cans for baby food, dog food, apple juice, engine oils and a score of other products. Meanwhile, the fibre container and fibre drum are gaining in popularity particularly for the shipment of nails, coiled wire, greases, cellophane paper, camera film, machine parts, and a number of other industrial items.

The outlook for American Can and Continental Can is, perhaps, best indicated by the broad improvement and expansion programs which these two companies have completed in the last five years and their plans for further

(Please turn to page 290)

a.c.f.

AMERICAN CAR AND FOUNDRY COMPANY

30 CHURCH STREET

NEW YORK 8, N. Y.

The Directors of American Car and Foundry Company today declared, out of the earnings for the fiscal year ended April 30, 1952, a dividend for the year of 7% upon the par amount of the preferred shares outstanding, payable in four installments, each of 1 3/4%, payable respectively, (1) Preferred dividend No. 180, on July 1, 1952 to stockholders of record at the close of business June 13, 1952; (2) Preferred dividend No. 181, on October 1, 1952 to stockholders of record at the close of business September 12, 1952; (3) Preferred dividend No. 182, on January 2, 1953 to stockholders of record at the close of business December 12, 1952 and (4) Preferred dividend No. 183, on April 1, 1953 to stockholders of record at the close of business March 13, 1953.

Checks will be mailed by the Guaranty Trust Company of New York. The transfer books will remain open.

C. ALLAN FEE, Secretary

May 15, 1952

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE

May 14, 1952

300,000 Shares New York State Electric & Gas Corporation Common Stock

(Without Par Value)

Price \$31.75 per share

Copies of the Prospectus may be obtained from any of the several underwriters, including the undersigned, only in States in which such underwriters are qualified to act as dealers in securities and in which the Prospectus may legally be distributed.

The First Boston Corporation

Lehman Brothers

Merrill Lynch, Pierce, Fenner & Beane

Wertheim & Co.

Blyth & Co., Inc.

Eastman, Dillon & Co.

Glore, Forgan & Co.

Harriman Ripley & Co.
Incorporated

Kidder, Peabody & Co.

Smith, Barney & Co.

White, Weld & Co.

4

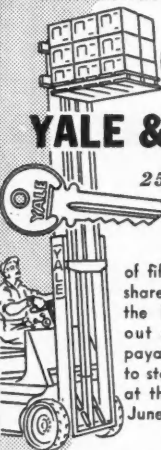
PHELPS DODGE CORPORATION

The Board of Directors has declared a quarterly dividend of Sixty-five cents (\$.65) per share on the capital stock of this Corporation, payable June 10, 1952 to stockholders of record May 23, 1952.

M. W. URQUHART,
Treasurer.

May 7, 1952

Materials Handling Equipment
Locks
Builders' Hardware



YALE & TOWNE
255th Dividend since 1899

On May 22, 1952, dividend No. 255 of fifty cents (50¢) per share was declared by the Board of Directors out of past earnings, payable on July 1, 1952, to stockholders of record at the close of business June 10, 1952.

F. DUNNING
Executive Vice-President and Secretary
THE YALE & TOWNE MFG. CO.

IBM INTERNATIONAL BUSINESS MACHINES CORPORATION
TRADE MARK
590 Madison Ave., New York 22

The 149th Consecutive Quarterly Dividend

The Board of Directors of this Corporation has this day declared a dividend of \$1.00 per share, payable June 10, 1952, to stockholders of record at the close of business on May 19th, 1952. Transfer books will not be closed. Checks prepared on IBM Electric Punched Card Accounting Machines will be mailed.
A. L. WILLIAMS, Vice Pres. & Treasurer,
April 29, 1952.


UNITED FRUIT COMPANY
—212th—

Consecutive Quarterly Dividend

A dividend of seventy-five cents per share on the capital stock of this Company has been declared payable July 15, 1952 to stockholders of record June 13, 1952.

EMERY N. LEONARD
Secretary and Treasurer
Boston, Massachusetts, May 19, 1952

Two Great Can Companies

(Continued from page 289)

expansion during the next two or three years. Hence, from the long-range standpoint both stocks have investment merit. It should, however, be considered that any weakness in the general market would offer a better buying opportunity than the present as both stocks are still selling quite close to their highs of recent years.

Note: Attention of our readers is called to the fact that the chart on American Can portrays the price range on the common stock outstanding prior to the recent capital changes. The earnings and dividend figures thereon, however, are computed on the basis of the new capitalization. A new chart showing adjusted price movements is in preparation.

New Money and Credit Policies

(Continued from page 259)

on the type of security such institutional investors as the commercial banks should buy and hold for the long pull, it is more likely the smoke would clear.

When the commercial banks became increasingly alarmed a short time ago about the shortness of the average maturity of their government portfolios, the bond market received the impetus for another spurt. Reflecting the active demand, this occurred despite the offering of the largest single bill issue in Treasury history, the \$1.5 billion worth of 91-day bills of May 1. Coupled with the rising savings deposits, along with the easier cash position of insurance companies, the effect became noticeable in sagging stock prices. Continued heavy purchases by pension funds and release of new mortgage paper previously held down by Regulation X also lent a strong hand in buoying bond prices. Another impetus behind the climb was the decision of the Federal Reserve System to at least temporarily hold the 1¾% discount rate; bond yields then were adjusted to fit in with this charge. Yields on the top-notch corporate composite index have dropped from a 1952 high of 3% to approximately 2.58% while short-term governments have receded to 1.77% from 2.12%.

As the spread narrows between bond and common equity yields, a switching from one to another generally is likely. The constant dilution of stocks has not yet been compensated for by increased bond rates. When the Victory 21½s of 1967-72—quoted at around 99—advance sufficiently above par, the American investor should get the tipoff. From then on he can anticipate greater interest in common securities. Consensus is that some of the life insurance companies will dump part of their bellwethers after breaking par in favor of the new flood of State and municipal borrowings amounting to \$8 billion which is predicted as a preliminary to elections. Local financing of huge public works programs such as highway construction and power improvements, as well as large issues to pay veterans' bonuses, both of which will act as vote earners, will absorb the acquired cash.

These new issues—previously held back by voluntary credit restraints—also will temper the market and eat into a good share of the excess funds which commercial banks should have accumulated by that time. In the meanwhile, yields have not receded enough below their 1951 peak to shake the strong position of the bond market. At the same time investors are just pessimistic enough regarding the business horizon to warrant retention of their bond issues at the still favorable returns.

Since high interest rates are the key to present money and credit policies, the U. S. investor must remain focused on the Patman monetary inquiry. It's here where the axe will fall if there is to be an about-face in the government's tight credit course. The existing pattern has been successful in checking inflation without causing the catastrophic decline in bond prices so widely forecast.

Any reversal in the trend of higher costs of money over the short range is difficult to foresee. As long as we rearm for defense, bank credit will be stimulated by large corporate capital expenditures. Furthermore, the needs of the Treasury are great. The readjustment in the money market has been largely completed. Because the government believes it is the best device to tap record savings, a high interest structure will guide our monetary and credit policies for a long time.

MORE INCOME—MORE PROFIT FOR YOU IN THE SELECTIVE MARKET AHEAD

A "do nothing" investment policy can prove very costly to you . . . yet every step you take must be prudently based on latest facts and figures correctly interpreted in terms of company values and share prospects.

For—total corporate net income will decline—but many companies will record sharp earnings improvement. There will be an increase in dividend casualties—yet dependable yields of 6% to 7% are available among favored stocks.

SELECTIVE OPPORTUNITIES AHEAD

Our analysts have been carefully studying the position and prospects of the corporations which seem best situated in the coming year — candidates for higher earnings — large dividend disbursements — profitable market action. But selection will be only one step. The strategic timing of each purchase and each sale will be a consideration of paramount importance which we will keep in mind constantly in serving you.

"Thank you for four valuable and helpful advice."

Appreciative comments such as the above recently received from school superintendent in California illustrates the satisfaction of an investor who has been with us since 1944. We are confident that our record will continue to earn for us such comments of enthusiasm on results achieved.

THREE DIVERSIFIED PROGRAMS COMPLETE IN ONE SERVICE

—For Backlog Investments

—For Appreciation with Income

—Low Priced Shares for Large Percentage Growth

The Investment and Business Forecast brings you three, prudently diversified programs to meet your every objective. All are provided under your single enrollment.

ADDED FEATURES INCLUDE . . .

Consultation by Wire and by Mail . . . To keep your portfolio on a sound basis, you may consult us on 12 securities at a time . . . by wire and by mail.

Business Service . . . Weekly review and forecast of vital happenings as they govern the outlook for business and individual industries.

Washington Letter . . . "Ahead-of-the-news" weekly reports from our special correspondent on legislative and political developments weighing their effects on business and securities.

ENROLL NOW to share in OUR NEW CAMPAIGNS TO START AT THE NEXT BUYING ZONE.

Join our service now so that you will be able to participate in our stock selections for **ABOVE AVERAGE INCOME AND PROFIT** when they are issued and before their initial rally gets under way.

AND, if you will send us full data on your present holdings and cash position you will receive our advice at once—**WHAT TO SELL—WHAT TO HOLD.**

You are invited to take advantage of our Special Enrollment Offer which provides **FREE SERVICE** to June 30th. *Mail the coupon below . . . today.*

*Mail Coupon
Today!*

Special Offer

6 MONTHS' SERVICE \$60
12 MONTHS' SERVICE \$100

Complete service will start at once but date from June 30. Subscriptions to The Forecast are deductible for tax purposes.

FREE SERVICE TO JUNE 30

5/31

THE INVESTMENT AND BUSINESS FORECAST

of The Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

I enclose ☐ \$60 for 6 months' subscription; ☐ \$100 for a year's subscription.
(Service to start at once but date from June 30, 1952)

SPECIAL MAIL SERVICE ON BULLETINS

Air Mail: ☐ \$1.00 six months; ☐ \$2.00 one year in U. S. and Canada.
Special Delivery: ☐ \$4.00 six months
☐ \$8.00 one year.

☐ Telegraph me collect in anticipation of important market turning points...when to buy and when to sell...when to expand or contract my position.

Name.....

Address.....

City..... State.....

Your subscription shall not be assigned at any time without your consent.

List up to 12 of your securities for our initial analytical and advisory report.

Allegheny Ludlum Steel Corporation
Pittsburgh, Penna.

At a meeting of the Board of Directors of the Allegheny Ludlum Steel Corporation held today, May 19, 1952, a dividend of fifty cents (50¢) per share was declared on the Common Stock of the Corporation, payable June 30, 1952, to Common stockholders of record at the close of business on May 31, 1952.



The Board also declared a dividend of one dollar nine and three-eighths cents (\$1.09375) per share on the \$4.375 Cumulative Preferred Stock of the Corporation, payable June 15, 1952, to Preferred stockholders of record at the close of business on May 31, 1952.

T. A. WHEELER
Assistant Secretary

TEXAS GULF SULPHUR COMPANY

The Board of Directors has declared a dividend of \$1.00 per share and an additional dividend of 75 cents per share on the Company's capital stock, payable June 10, 1952, to stockholders of record at the close of business May 26, 1952.

E. F. VANDERSTUCKEN, JR.,
Secretary

C.I.T. FINANCIAL CORPORATION

Dividend on Common Stock

A quarterly dividend of \$1.00 per share in cash has been declared on the Common Stock of C. I. T. FINANCIAL CORPORATION, payable July 1, 1952, to stockholders of record at the close of business June 10, 1952. The transfer books will not close. Checks will be mailed.

FRED W. HAUTAU, Treasurer
May 22, 1952.



**150TH
ANNIVERSARY**
1802 1952

E. I. DU PONT DE NEMOURS & COMPANY

Wilmington, Delaware, May 19, 1952

The Board of Directors has declared this day regular quarterly dividends of \$1.12½ a share on the Preferred Stock—\$4.50 Series and 87½¢ a share on the Preferred Stock—\$3.50 Series, both payable July 25, 1952 to stockholders of record at the close of business on July 10, 1952; also 85¢ a share on the Common Stock as the second interim dividend for 1952, payable June 14, 1952, to stockholders of record at the close of business on May 26, 1952.

L. DU P. COPELAND, Secretary

The Trend of Events

(Continued from page 248)

to force further rises in hourly pay. If these problems are faced honestly and fearlessly, they will help the next President. If he fumbles

about with them, giving the impression that the key to prosperity was handed him but mislaid somewhere, he will be a one-term President—and the following term something dreadful to contemplate. If he campaigns by pointing out the economic sins this country has been committing over the last two decades, by predicting that our punishment will not be remitted, and by promising honorable measures to alleviate it, he will be astonished as the way the American voter rises to this appeal.

As I See It!

(Continued from page 249)

ernment has been bending backwards to treat labor fairly, knowing that strikes and wage demands could do untold damage to the country's national defense program. But British organized labor is not to be appeased that easily, and the struggle for wage increases seems inevitable. Meanwhile, by pussy-footing the Conservatives have lost time and opportunity to throw out the socialist-imposed clap-trap of controls, subsidies, and other measures that make the British price system unreal and the British economy inflexible.

Nowhere is this lack of flexibility better illustrated than in the employment field. While the press and the public are worrying about 100,000 unemployed in Lancashire and Yorkshire, other British industries need some 350,000 people if the national defense program is to be operated at full blast. The aircraft industry alone is looking for some 50,000 new employees. Yet the shifting of labor from one occupation to another is fought bitterly by organized labor. Although the housing situation in Britain today is extremely difficult, it is the unions which will decide how quickly the unemployed textile workers can be absorbed into other occupations.

The socialists regard full employment as their greatest achievement. But a country that must export 30 to 35 per cent of the goods it produces in order to maintain a decent standard of living can ill afford the luxury of full employment. Not to be bested by Germany and Japan, Britain will have to explore every export opportunity. She cannot do this by sticking to the wasteful, rigid so-

cialist system that guaranteed employment to every worker. For Britain, solvency can come only with flexibility of her economy and the freeing of forces that make for competition.

**Market Continuing Selective
Which Groups?**

(Continued from page 251)

are well under earlier highs, there should be above-average summer-recovery potentials in rayon and cotton textile issues, carpet stocks, selected building-materials issues, retail-trade issues and coppers — on the basis of improving, or satisfactory, prospects for medium-term sales and profits. In the consumer-goods field, present prospects are either poor or not good enough to invite aggressive buying in the case of liquors, movies, tobaccos, proprietary drugs, home appliances, paper, printing and publishing, and soaps.

Most of the recovery candidates have no chance of getting back to lush earlier levels of earnings; and, on top of the usual hazards involved in trying for a medium-term play, there is the pertinent fact that possible profits are subject to full income taxes, unless the issues are held for six months or more.

Some good clues to basic patterns of investment selectivity are provided by the indicated equity preferences of managers of pension funds and other trust funds. Their buying is most heavily concentrated in oils, chemicals and utilities in that order, with these three groups getting not far from half of the total. That is a goodly part of the story of persistent firmness in utilities, and of prompt rebounds by oils and chemicals from recession levels. Other groups in considerable, but materially less, favor with these funds are autos and auto accessories, retail trade, foods, building, and bank and insurance stocks—these groups representing roughly between a fourth and a third of the total concentration. There is light representation in a small minority of other fields. Although the percentage allotment naturally varies somewhat from fund to fund, the breakdown cited is reasonably typical.

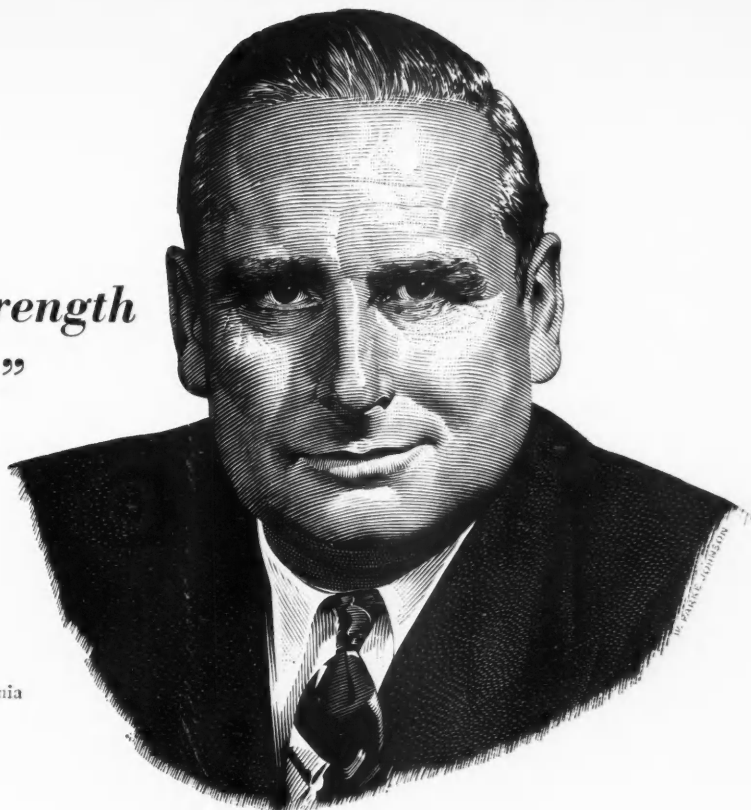
There is no adequate basis for altering our selective, middle-road investment policy.

—Monday, May 26.

"Our Country's Strength is Created..."

REESE H. TAYLOR

President, Union Oil Company of California



"Our country's strength is created by the responsibility and solidarity of individual citizens in a self-chosen government and economy. It can—and must—be perpetuated against all who seek to undermine it. The men and women who invest regularly in United States Defense Bonds are contributing to our national integrity and to the traditions of personal independence so characteristic of a free people."

Every pay day, 6,500,000 employed men and women . . . "are contributing to our national integrity and to the tradition of personal independence . . ." by the systematic purchase of United States Defense Bonds.

How important is this contribution to national economy and personal security? Let's look at a few figures.

- the cumulative purchases of 6,500,000 Payroll Savers add up to \$130,000,000 per month.
- the number of individual E Bonds sold in 1951 totaled 68,069,000 pieces—8% more than in 1950.
- purchases of \$25 and \$50 E Bonds—the denominations popular with Payroll Savers—were greater than the sales of \$500 and \$1,000 E Bonds.

- monthly redemptions of unmatured E Bonds during each of 9 months (April to December, 1951) were less than 1% of the amounts outstanding.

- the cash value of Series E Bonds held by individuals on December 31, 1951, amounted to \$34,727,000,000—\$4.8 billions more than the cash value of Series E's outstanding in August, 1945.

That Americans have built personal security and a reservoir of purchasing power exceeding \$34.7 billions is due in no small measure to the patriotism and foresight of men like Mr. Taylor and other leaders of industry who have made the Payroll Savings Plan available to their employees.

For help with your Payroll Savings Plan, phone, wire or write to Savings Bond Division, U.S. Treasury Department, Suite 700, Washington Building, Washington, D. C.

The U.S. Government does not pay for this advertising. The Treasury Department thanks, for their patriotic donation, the Advertising Council



"THE USUAL DILEMMA"...

What Are You Doing To Solve It?

A busy professional man in Kansas dissatisfied with his investment progress now feels confident that he has solved the dilemma which you are facing as an investor — he writes:

"Though I work hard every day, I have spent hundreds of hours studying the technical action of individual stocks and graphs. It has become increasingly difficult for me to carry on the excessive research this has demanded. As a result, I get behind and before I know it some of my stocks have gone bad. Then follows the usual dilemma confronting every investor — which means more searching.

After a time I have usually dumped the lot and started over again. This, severely lowered my net gain.

With your research to draw on, your skill and experience can keep my account invested in the right proportions in aggressive stocks. You can take over this job for me with a better overall result."

So that you may recognize any weakness in your account, Investment Management Service now offers to prepare a preliminary review of your security holdings entirely without obligation—if they are worth \$20,000 or more.

Our survey will point out various of your less attractive holdings, and some of your securities to be retained only temporarily. It will tell you how our personal supervision can assist you to strengthen your diversification, income and the enhancement possibilities of your account. We will evaluate your list and quote an exact annual fee for our service.

Merely send us a list of your securities. Give the size of each commitment and your objectives. All information will be held in strictest confidence. This offer is open only to responsible investors who are interested in learning more about our investment counsel.

INVESTMENT MANAGEMENT SERVICE

A division of THE MAGAZINE OF WALL STREET. A background of forty-four years of service.

90 BROAD STREET

NEW YORK 4, N. Y.

